

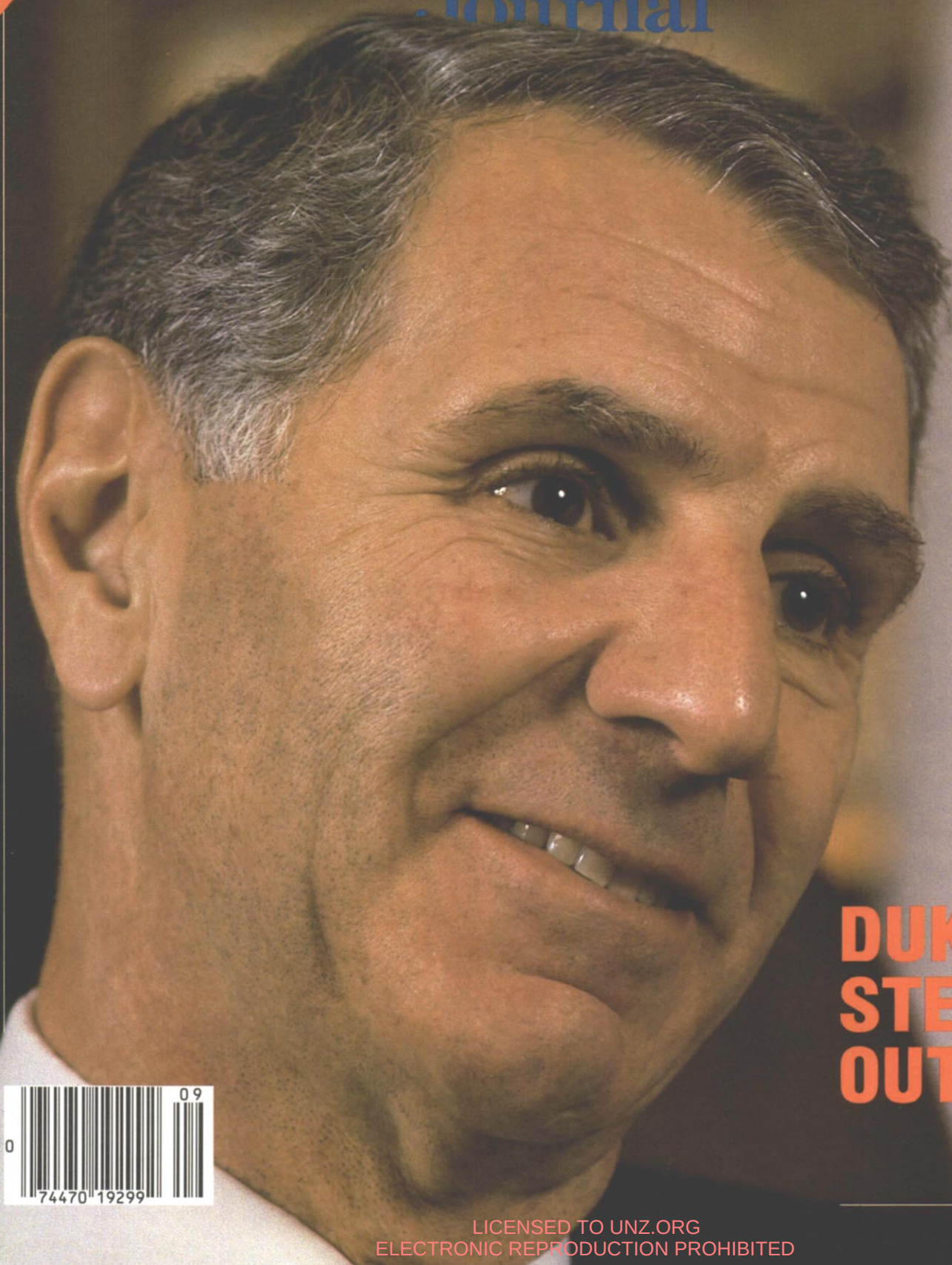
THE BUDGET:  
WINNERS  
AND LOSERS

ANALYSIS OF STATE GOVERNMENT AND POLITICS

SEPTEMBER 1987 \$2.95

# CALIFORNIA

## Journal

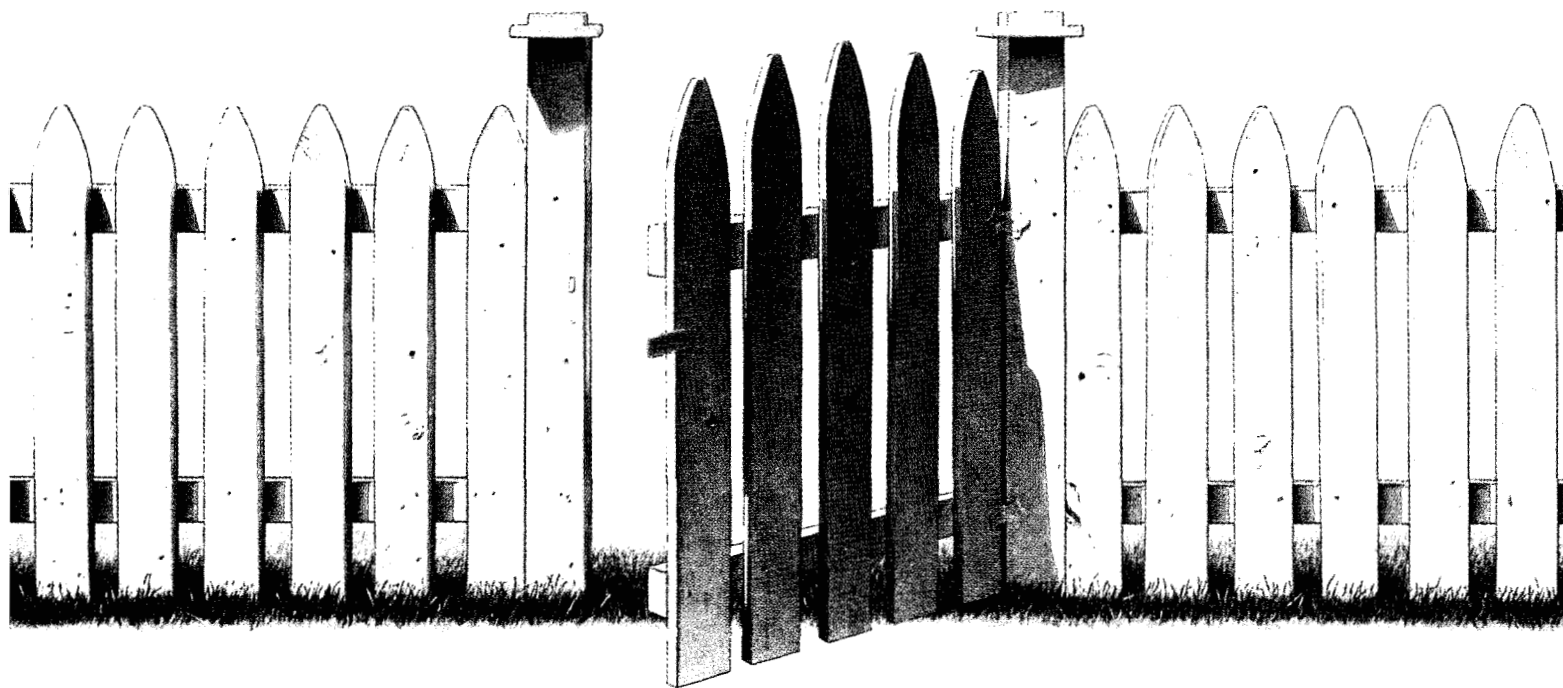


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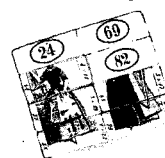
They got one. So did the hospital. And so did the fire department. In fact, since 1972, more than 18,000 grants have been made in hometowns across the country.

And that's helped unlock a lot of opportunities for a lot of neighbors.

"Le Lotto" by Charles Chaplin (1825-1891). German lotto pieces of 1850. Bavarian National Museum, Munich.

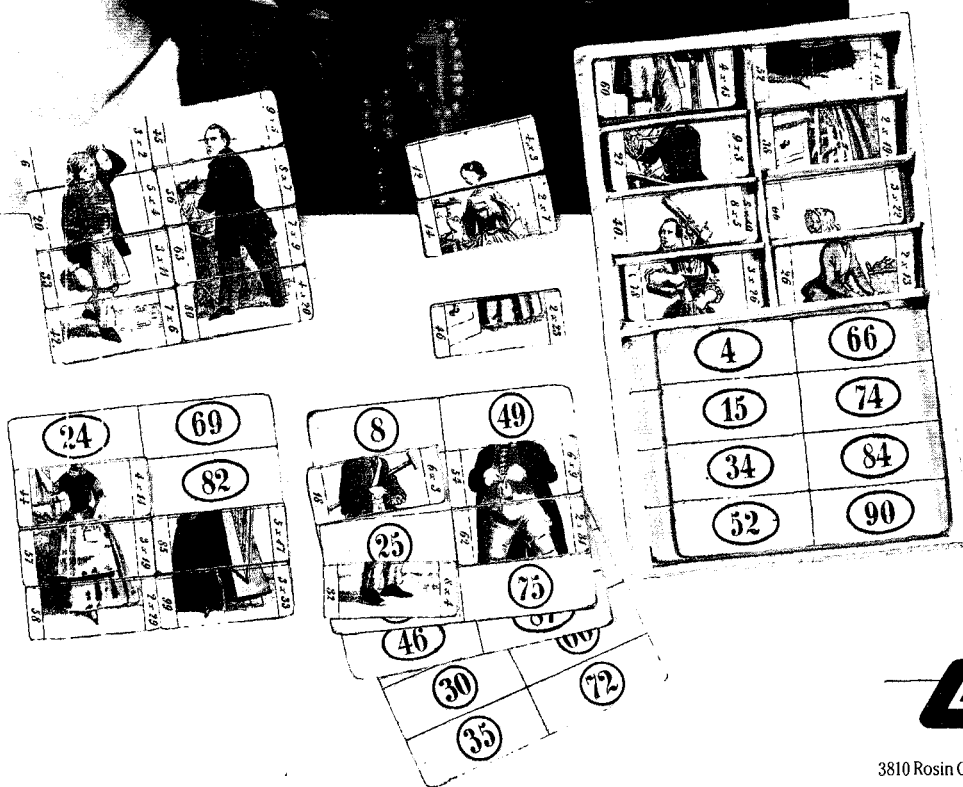


Lotto was first played in the 1530's. With hand painted game pieces and game boards carved from wood. Each numbered piece was chosen from a



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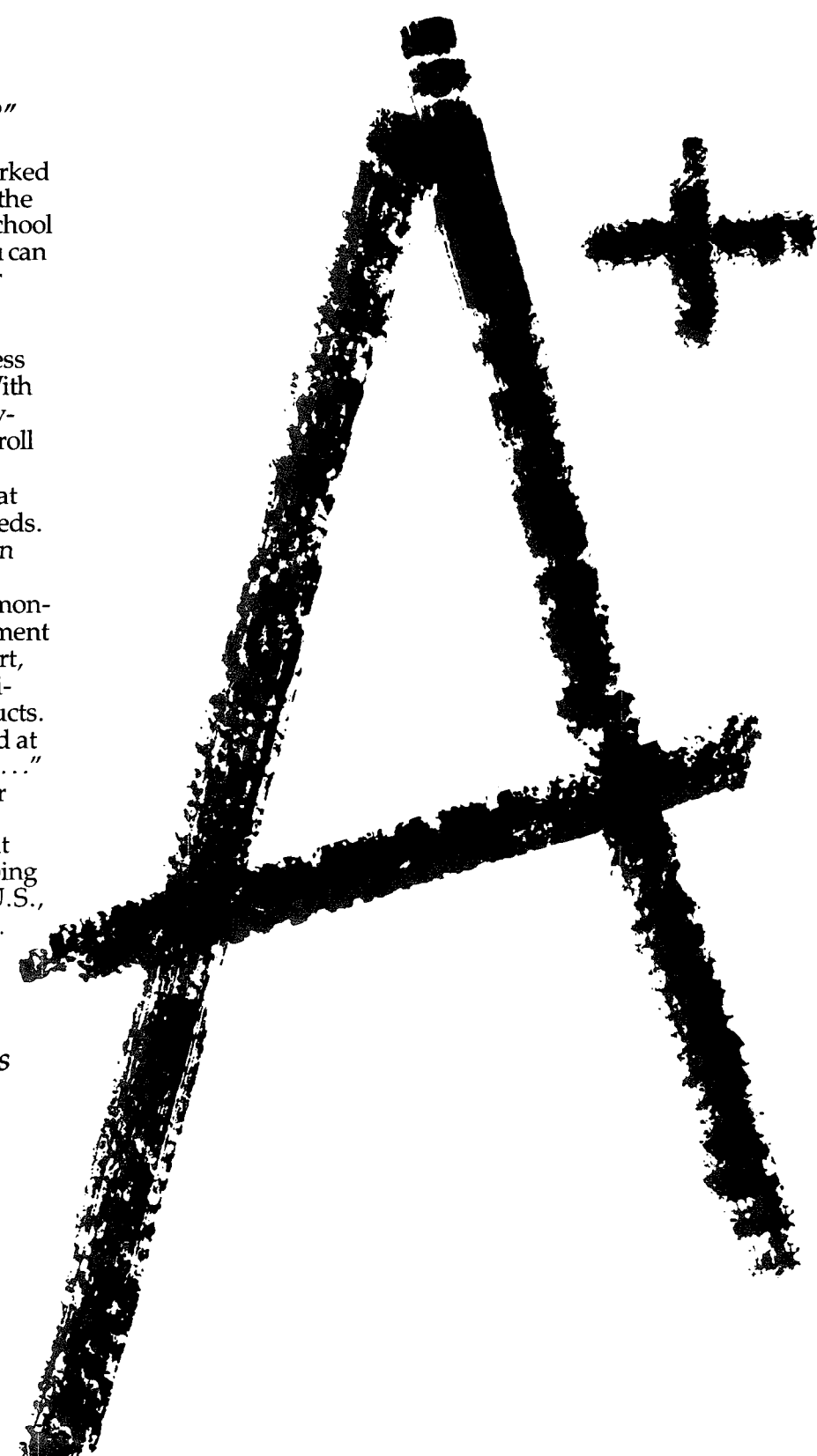
A solution, in short, arrived at only by asking a lot of "what if..." questions, and really doing our homework.

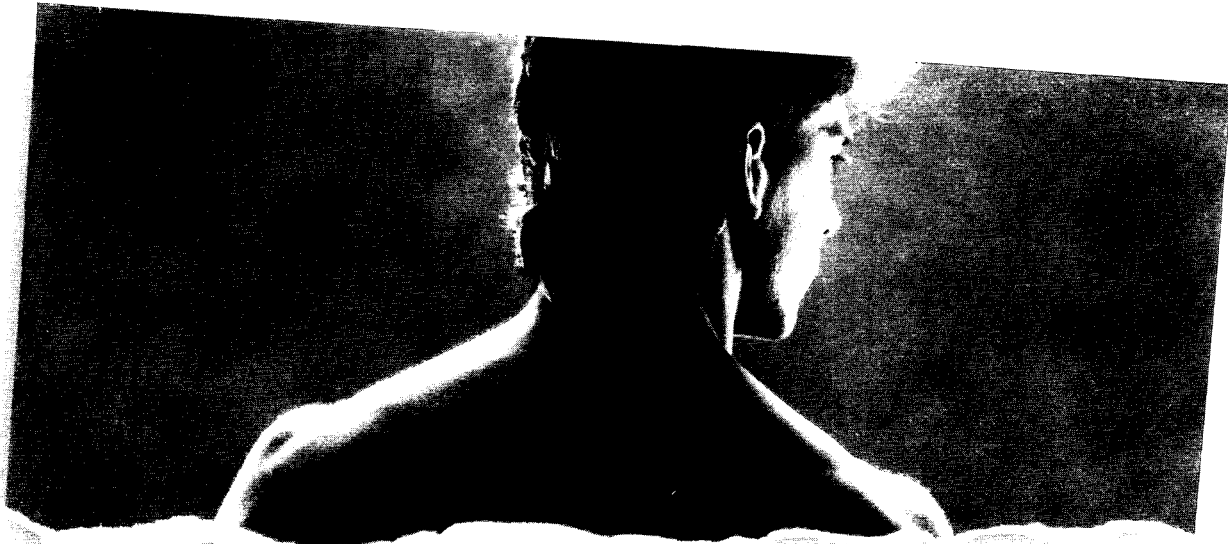
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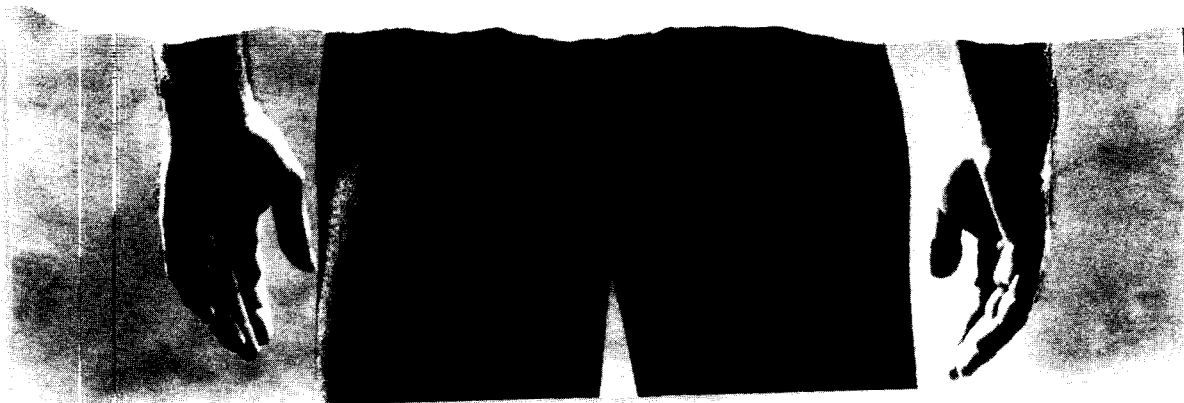
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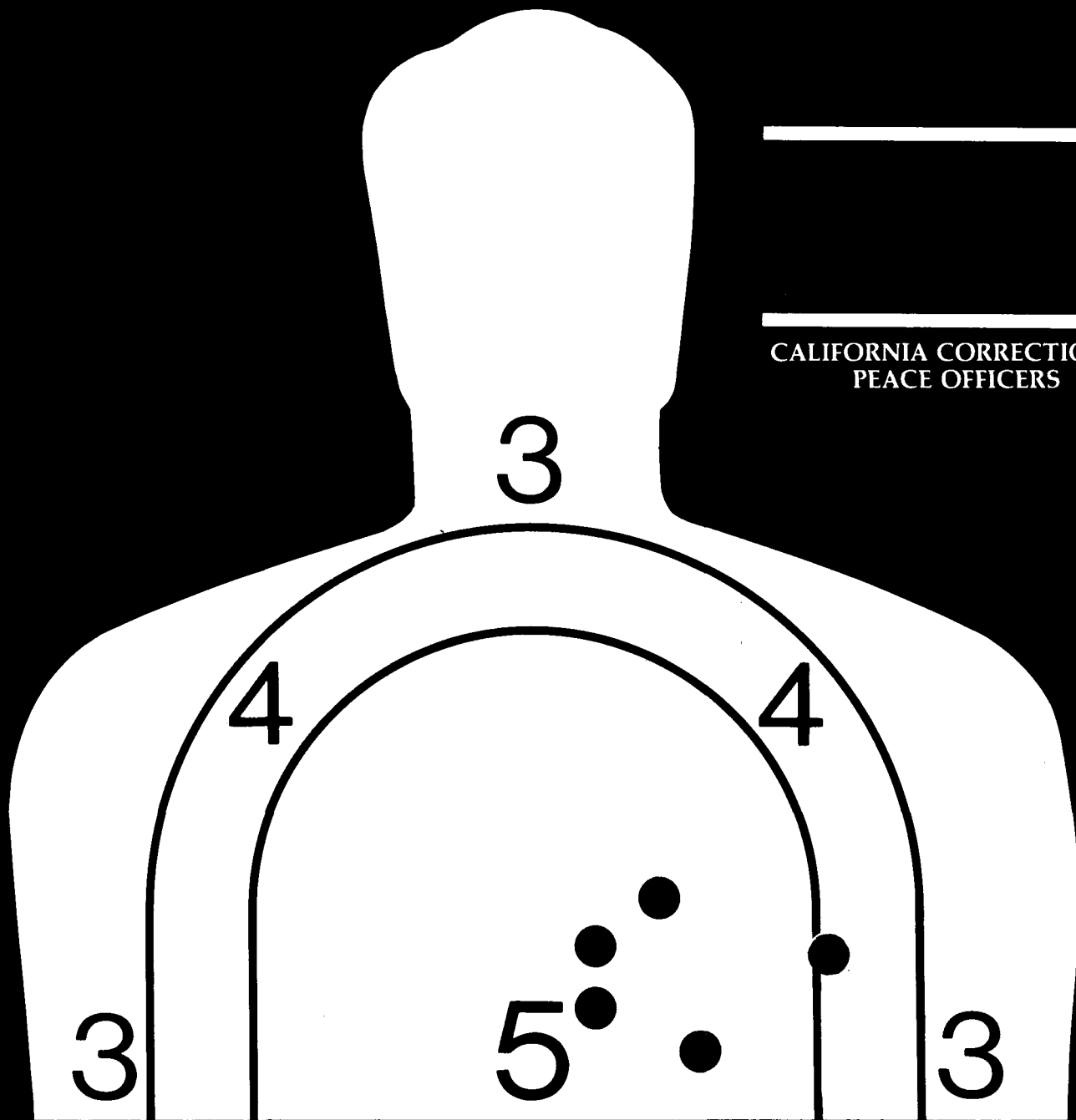
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# CALIFORNIA

## Journal

VOLUME XVIII, NUMBER 9

SEPTEMBER 1987

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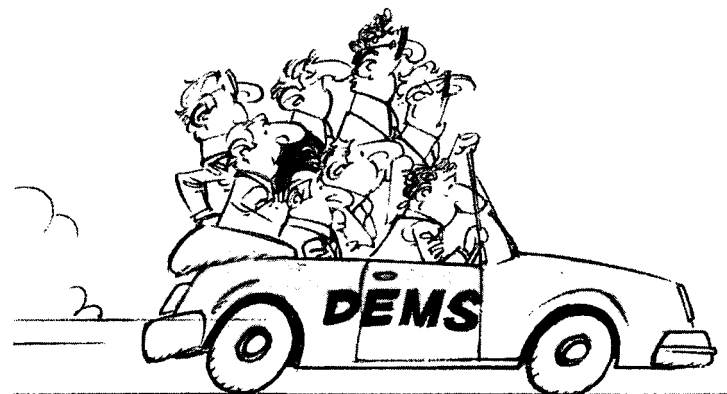
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Cover photo by Rich Pedroncelli.

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# UP FRONT

**Jesse Unruh's** death set off a scramble to see who would replace him as state treasurer (see story, page 435). The governor's office reported that it received inquiries by phone on the evening of Unruh's death (he died at 9:22 p.m.).

The choice is up to Deukmejian, and the question is whether he will use the opportunity to select someone who could be his eventual replacement (there are no other Republicans holding statewide office) or instead pick an "elder statesman" who would hold the office without controversy. The latter type holds some extra attraction in this case because the Legislature can reject the appointment, although apparently both houses must do so. The frontrunner in the first category is Fresno's Senator Ken Maddy, although selecting him means Republicans would have a fight on their hands to hold his Senate district. The leading choice in the second category is Senator Robert Beverly of Manhattan Beach.

On the other hand, it would not be out of character for Deukmejian to surprise everyone and appoint a long-time associate, someone whose name has yet to surface. Say, someone like Steve Merksamer, the governor's former chief of staff who now practices law in Sacramento. The governor's office says Deukmejian is in no hurry fill the spot.

In any case, the person who gains a real political advantage from Unruh's death may be state Controller Gray Davis. Davis serves on many of the same state boards as did Unruh, although he and his predecessor, Ken Cory, operated in Unruh's shadow. Unruh's absence may give Davis a chance to assert himself.

**The first spin** Jesse Unruh made in his grave probably came at his funeral, during the eulogy delivered by current Assembly Speaker Willie Brown. Brown was on the mark when he said Unruh "made it a respected career to be a state legislator." But we'd be surprised if Unruh didn't twirl at Brown's characterization of the Assembly as the "respected institution it is today."

**Laurel and Hardy** think-alike award to: William Dannemeyer and Ernie Konnyu, Republican congressmen

from California. Dannemeyer was recently honored by *Washingtonian* magazine as one of the "biggest flakes" in Congress for his "preoccupation with AIDS and pornography" and for his fixation with the gold standard. Konnyu, in his first term in the House, has made a mark few would envy. According to the *San Jose Mercury News*, Konnyu has embroiled himself in several controversies, including a public clash with veteran House Republican Silvio Conte of Massachusetts that may cost Konnyu important committee assignments. Konnyu has also banned Coca-Cola products from his office, branding them as "Commie Pinko Juice" because of Coke's distribution deal in China. Finally, the *Mercury News* reported, Konnyu has had his troubles with women. A lobbyist for E.F. Hutton publicly scolded him for his attitudes toward women, while two former aides have accused him of sexual harrassment.

**Ballad of Norma Jean**, take 27. When last we left Norma Jean Almodovar, erstwhile Libertarian candidate for lieutenant governor in 1986, she had been given three years' probation on charges of pandering. A Los Angeles judge had declared a state law that bans probation to be cruel-and-unusual punishment when applied to Norma Jean. But a state court of appeal overturned that decision and ordered Almodovar resentenced according to state law, which requires a minimum of three years in prison for the offense. The State Supreme Court recently refused to overturn that decision, and Norma Jean is off for a quiet rest in the pokey.

**Foot-in-memo disease.** Democratic State Controller Gray Davis, ever on the prowl for tidbits to embarrass Republican Governor George Deukmejian, thought he'd stumbled onto a beaut. Seems the state was holding an unclaimed account for \$309.88 belonging to one "G. Deukmejian." Davis fired off a letter to the gov, including some forms for reclaiming the money. Then, Davis called in the press to chortle over his discovery. Unfortunately, the money didn't belong to the governor.

"If you would have discussed the matter with our office first," the governor wrote Davis, "we could have in-

formed you that the reference involves my deceased cousin, George Deukmejian. I will forward the claim forms to his widow."

**Wrap yourself in the flag** department. Republican Assemblyman Eric Seastrand defined his brand of patriotism recently at the Midstate Fair in Paso Robles (San Luis Obispo County). Nestled amid the farm equipment, livestock barns and booths for homemade jam, Seastrand's volunteers put on a slide show featuring the exploits of Colonel Oliver North. Is this a new form of guns-and-butter electioneering?

(Paul Kronenberg, Bakersfield)

**A few months ago**, we reported that long-time Assembly Revenue and Taxation Committee consultant David Doerr had been put out to pasture at the Assembly Office of Research, apparently without a desk or an assignment. Well, Doerr is again gainfully employed. No, AOR didn't finally come up with some way to use Doerr's expertise. In fact, he's left government service altogether and is now chief tax consultant to the California Taxpayers Association.

**Wild Bill Richardson**, no stranger to performing in front of cameras as one of the state Senate's more verbose conservatives, landed a bit part in a 1986 movie, "American Justice." Richardson played a rancher who finds a dead body. He spoke one line: "I found him while out looking for strays." Richardson wouldn't say how many takes were needed to capture his one scene on camera, but the filming might have gone smoother had the gun-loving senator uttered a more characteristic line, say: "I found him while out blasting bunnies." The movie itself enjoyed limited distribution. That's a nice way to say it bombed in theaters and is now available on home video.

**Protecting an image** is important for any elected official, even one known for his rumpled suits. Democratic Assemblyman Lloyd Connelly of Sacramento was recently arguing on behalf of his insurance-reform bill and looking especially frazzled — even for Connelly, who was once given a new pair of shoes by Assembly Speaker Willie

Brown because Connelly's old shoes were about to disintegrate. During a pause in the insurance hearing, Connelly's Democratic colleague, Dave Elder of Long Beach, offered him a comb. Connelly used it on the front of his hair. The rest of his hairdo remained appropriately disheveled.

(Patricia Rogero, Sacramento)

**Unescorted ego trip.** Omer L. Rains, a former Democratic state senator from Santa Barbara, has officially changed his name to "Senator Omer L. Rains."

**Assemblyman Rusty Areias** may have been a Cosmo "hunk of the month" but that wasn't enough to impress a UC Berkeley class that was expecting a visit from TV commentator and curmudgeon Andy Rooney. They greeted the substitute speaker with boos. But Areias won them over with tales of his times in the Legislature, including his first day when he was so distracted that he went off to a Democratic caucus meeting without his belt. A quick learner, he asked that a sergeant be sent to retrieve the belt from his hotel room. But to Areias' surprise, into the caucus meeting, holding his belt aloft, came not the man he had expected but a very womanly woman who was part of the Assembly's sergeant-at-arms corps.

*Come across a blurb lately that's nosy, newsy or smart-alecky about California government, politics or politicians? Share it with the Journal. We pay up to \$25 for entertaining tidbits published in "Up Front," so rush your items to Up Front, 1714 Capitol Avenue, Sacramento, CA 95814. Sorry, submissions cannot be returned.*

"Those who cannot miss an opportunity to say a good thing ... are not to be trusted with the management of any great question."  
— William Hazlitt

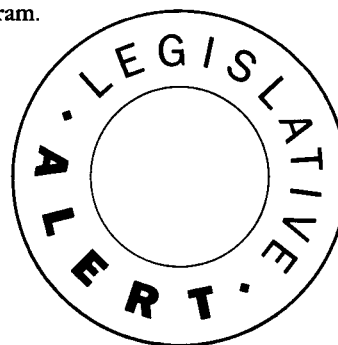
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# ROSTRUM

## Gridlock

Your article on transportation ("Gridlock," *CJ*, July 1987) perpetuates the myth that debt financing would "cost 75 to 80 cents for every dollar financed and, for shorter-term issues, the cost would drop to 55 to 60 cents per dollar." That latter number is just plain wrong. A general-obligation debt does not have to be a 20-year bond. Consider three- or four-year notes, issued in sequence for \$250 million per year (at a tax-free rate of 6 percent) where the principal is paid down starting in year one, using revenues that now exceed the state's Gann limit. If one-third the principal on such a note were paid in advance during each of the three years, the interest would total about 12 percent (18 percent if paid at the end of the three years) but not 55 to 60 percent.

The concept of short-term general-obligation notes, to be repaid from projected Gann overage, makes sense. The ballot proposition, posed by the Dedeh transportation-finance package and supported by the governor, would authorize this flexibility. Short-run notes could be issued instead of long-term bonds.

What does not make sense is to call for a public vote (now required under Gann) to raise additional gas-tax revenue, while at the same time refunding (as required) the on-going Gann overage. Let us use some of this overage for capital outlay while we have that opportunity. When and if in future years there is no Gann "overage," then a fuel-tax increase can and should be considered.

**WILLIAM T. BAGLEY**  
Chairman  
California Transportation Commission

While your transportation article was informative, the word "gridlock," and the way it is indiscriminately applied to freeway congestion, is erroneous. This term was coined to describe a specific traffic condition where cross-traffic blocks and intersection through one or more phases (red-green) of a traffic light, effectively "locking the grid." "Gridlock" implies two situations which cannot exist on a freeway: a "grid" network of streets; and a "lock," which suggests interlocking that prevents movement. Hopefully, this catch phrase doesn't completely replace more sensible expressions like

congestion, stop-and-go traffic, or bumper-to-bumper. Otherwise, we will be doing ourselves a disservice by adding language comprehension and usage problems to our traffic problems.

JAMES REILLY  
San Jose

California's current transportation problems are the culmination of an ideology common throughout our society: Transportation means highways and automobiles. As the nation's role model for the development of highway transportation, California is also the role model for demonstrating the consequences of combining automobile dependency with high economic growth.

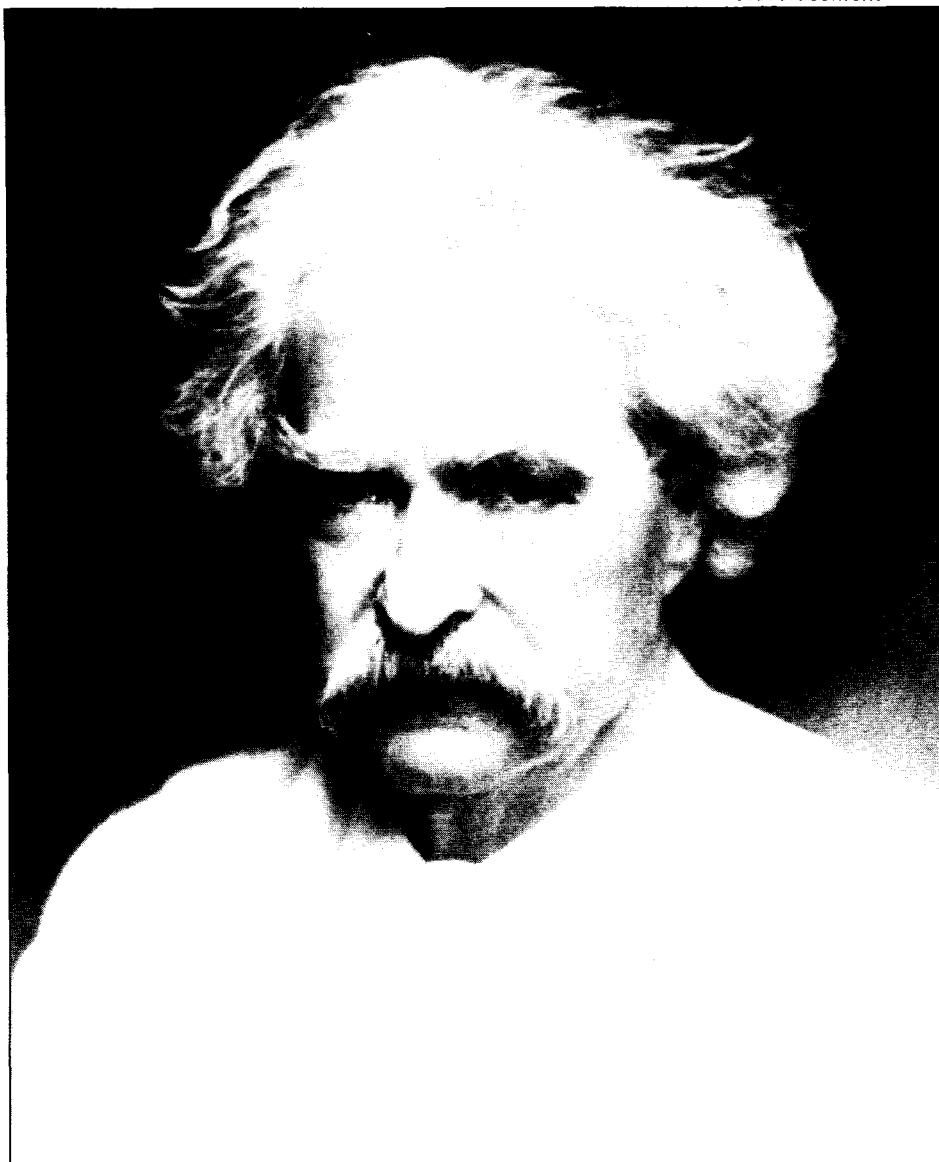
Population, economic activity and automobile dependency cause traffic congestion — the antithesis of mobility and efficient goods distribution. The first two bring vitality to a society. Automobile dependency brings congestion, traffic accidents, environmental degradation and an insatiable thirst for oil that contributes significantly to dependence on foreign-oil imports.

During the 1960s California's existing freeway system was supposed to provide congestion-free travel. Today, the administration is searching for innovative means to finance even more freeways. History is repeating itself, and will continue to repeat itself as California's population grows and automobile dependency continues unabated. Meanwhile, the demand for oil is expected to exceed domestic production by up to 60 percent by 1995.

The largest share of domestic oil consumption goes for transportation, with automobiles consuming the most. Thus, California is at the forefront of the nation's headlong descent into foreign-oil dependency. Indeed, America's military presence in the Persian Gulf is testimony to our willingness to go to war to maintain our supply of foreign oil.

Government leaders urgently need to formulate a transportation policy designed to combat this potentially disastrous course of events. Greater emphasis on the use of public transportation, both bus and rail, is essential in formulation of that policy. It is time for those in positions of responsibility to recognize the consequences of perpetuating the excessive automobile dependency found in California today. There are strong indications that failure to develop alternate means of surface transportation will cause economic chaos in California before the close of this century.

W.E. WELLS  
Yuba City



“Never get into an  
argument with people who buy  
their ink by the barrel.”  
Mark Twain

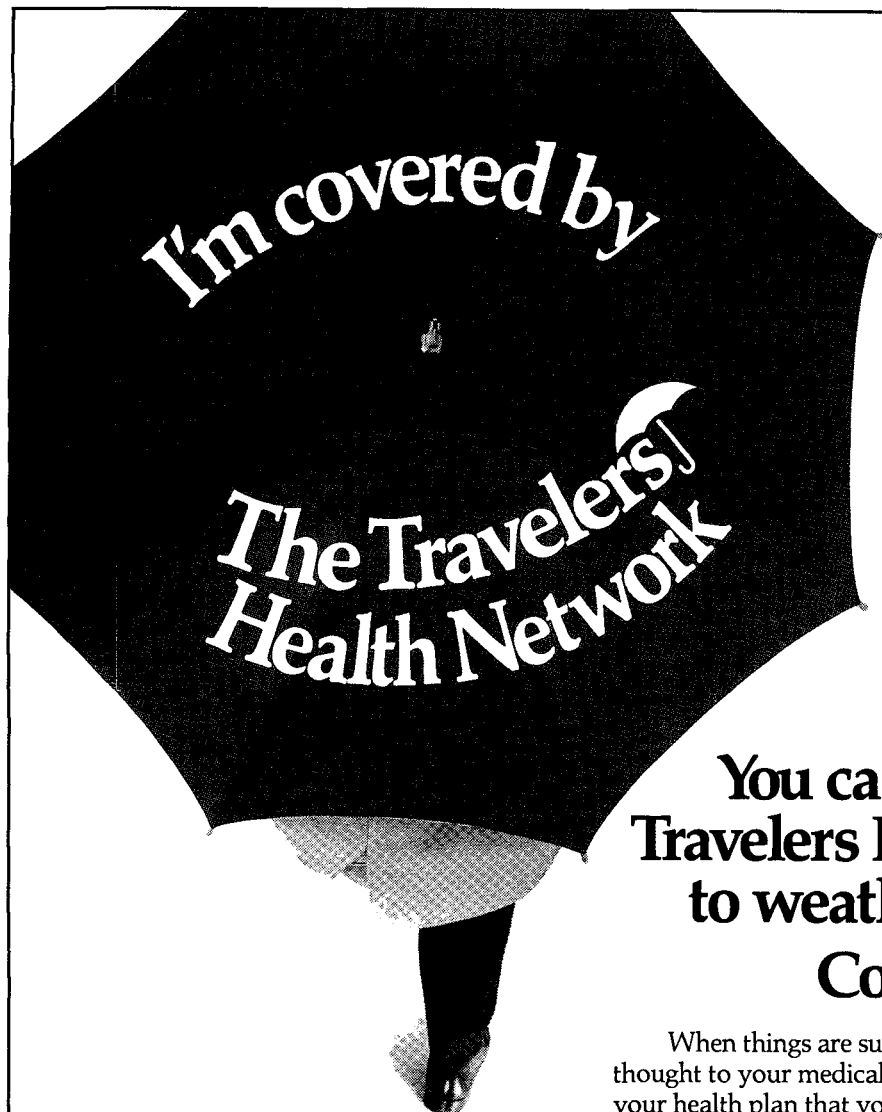
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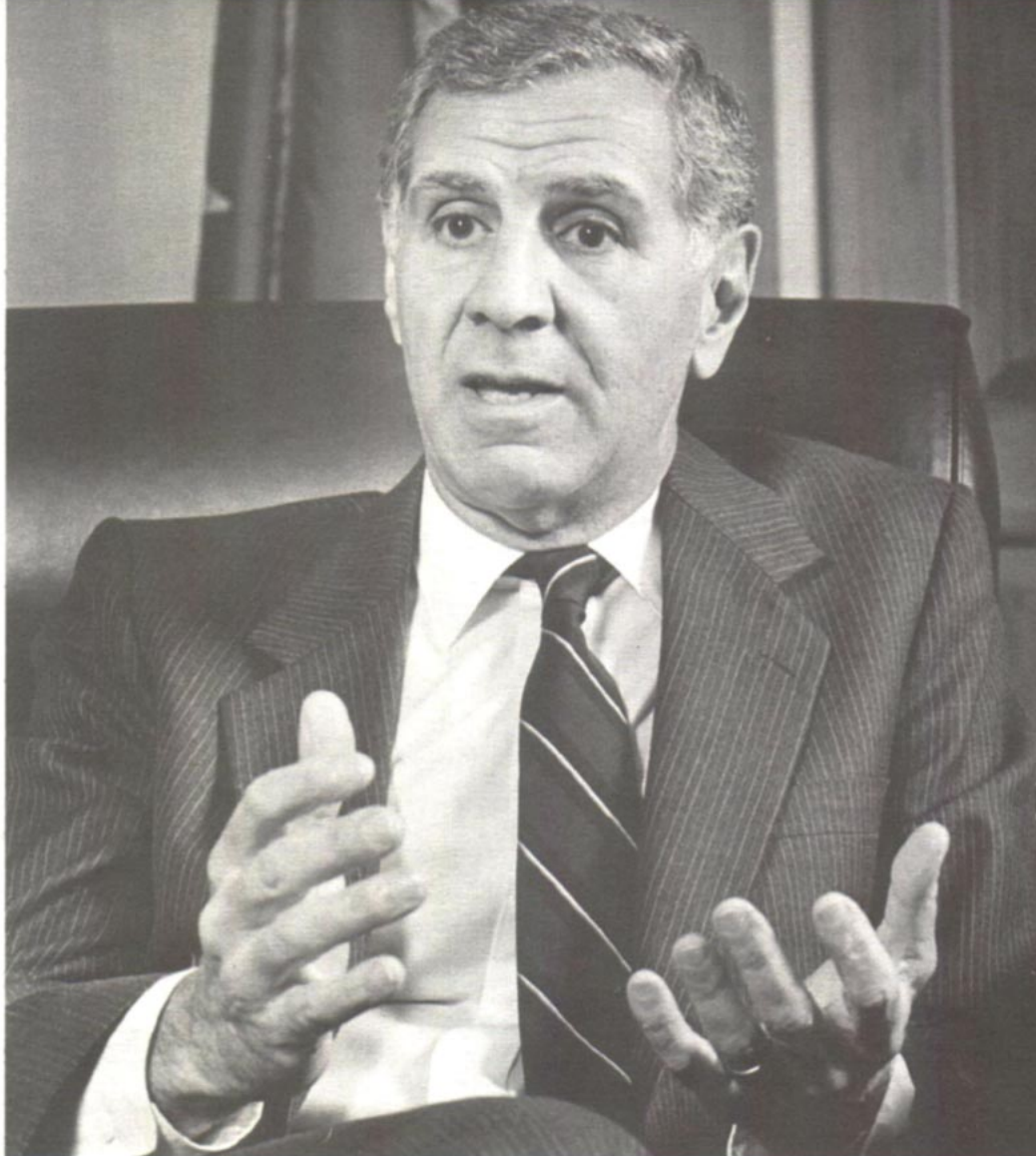


Photo by Rich Pedroncelli

# Duke steps out?

Even his closest advisors don't know

By RICHARD ZEIGER

**A**t the end of July, Governor George Deukmejian's Citizens for Common Sense committee let it be known that the governor this fall wants to sponsor a debate amongst Republican presidential contenders. The governor himself would be the moderator at an event certain to garner nationwide publicity.

At the beginning of August, the governor slipped out of the state for a little "family vacation." There was no public announcement that he was leaving, and his office refused to say where he had gone.

The two events represent the paradox of George Deukmejian. He is a man who holds the most public job in California, a person with national concerns who is just beginning to figure out that there is a place for him on a still bigger political stage. At the same time, he remains a most private individual who shuns exposing himself to the very publicity that would ease his way into the national spotlight.

He is often called a simple man, the kind you would find

conducting a backyard barbecue in the yard next to yours. Yet he is a man of such contradictions that the state's political press has a hard time figuring out just how to characterize him. He is certainly ambitious. (No one becomes governor who is not.) And a strange form of "Dukeology" has emerged amongst a press corps trying to divine the signs which might indicate Deukmejian has developed the Potomac lust that infected his two predecessors. When Deukmejian attended the National Governor's Conference last month, one newspaper wrote that he was using the opportunity to broaden his national profile, noting that he had taken the opportunity to state his position on international trade tariffs by publicly disagreeing with no less a luminary than Lee Iacocca. Another newspaper had just the opposite point of view, however, saying the governor was shunning publicity at the event by refusing an interview with national political correspondent David Broder of *The Washington Post*.

Last year's smashing reelection victory over Tom Brad-

ley has given the governor new confidence. He and his advisors feel they have accomplished much of what they wanted when Deukmejian became governor in 1983, and the public has confirmed they want more of the same. This year he faced down Democrats in the state Legislature who again — in the governor's view — wanted to return to their budget-busting ways, and a furious attempt by state schools chief Bill Honig to pressure him into spending more money on public schools. His ratings in the public-opinion polls, some slight slippage notwithstanding, are high. All in all, he seems firmly in control.

"I like being governor. I like it very much," Deukmejian said in an interview with the *California Journal*.

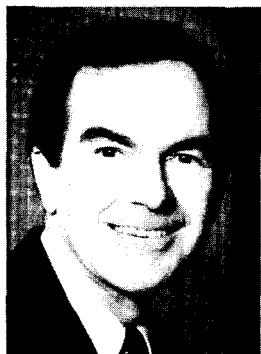
The governor's advisors argue that most of his first-term goals have been achieved. His major concern has always been in the area of law enforcement, and Deukmejian has made a good start at salting the state's judiciary with the "common sense" judges that share his attitude toward the punishment of criminals. The state's Supreme Court, thanks to the voters' decision last November to remove three justices, also has a majority of Deukmejian appointees in its ranks, and the state's anti-crime laws are now so tough that

even the governor is not anxious to increase prison terms further.

In addition, the state's fiscal house is in order. Each year the governor has managed to maintain the \$1 billion "rainy day" fund he insists the state needs, and he never forgets to remind skeptics the state was on the edge of bankruptcy when he took over. At the same time, he has pumped some \$8 billion in additional money into the state's education system, completing a turn-around in the fortunes of the University of California and making headway on a series of reforms for the state's grade schools. The state's bureaucracy, ruled under a *laissez-faire* system by Deukmejian's predecessor, Jerry Brown, is now firmly under the control of the governor's office and is operating in what administration officials like to characterize as a "businesslike" way.

"There's no doubt it was an extremely successful first term," says Steve Merksamer, the governor's former chief of staff, who left earlier this year for private law practice. "He's achieved all his major first-term goals, and he deserves a great deal of credit for that. Going into his second term, he has obviously got to be thinking about what other goals he wants to achieve."

## The new staff



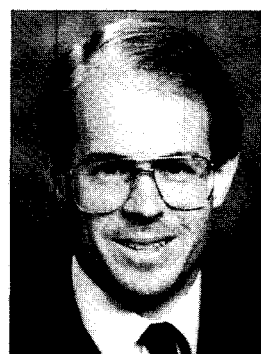
Frost



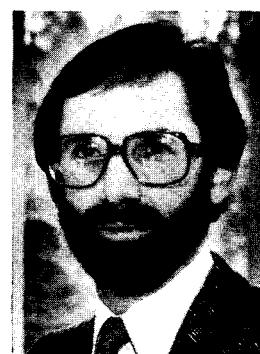
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Governor George Deukmejian's staff is substantially different in his second term. Here is a rundown on the key players, and their strengths and weaknesses:

**Michael R. Frost** — The new chief of staff is in the traditional Deukmejian mold: low-key, conservative and unlikely to develop a high profile in the new administration. He suffers for being in the shadow of former chief of staff Steve Merksamer, who left last Spring to enter private law practice. Merksamer was the undisputed leader of the office with an uncanny ability to know what his boss wanted. Frost, 47, was the head of the governor's legislative unit and is praised for his administrative abilities. But questions remain about his creativity and ability to develop new administration policies. It is also too soon to know if he can mold the new staff into an effective administration team. Salary: \$87,552.

**Jesse R. Huff** — The director of Finance can be one of the most important policymakers in the state, and he would have been if Michael Franchetti, the governor's first choice and long-time aide from the attorney general's office, had been allowed to stay. But Huff, 44, is not Franchetti. Although technically skilled, he tends to miss the political implications of his budget decisions which, in the past, were left to Merksamer or to Deputy Director Nancy Ordway, who has moved to Washington. Frost has made it

clear he will be making the decisions for the new team as well. Salary: \$87,552.

**James W. Robinson** — At 33, Robinson is the youngest of the senior staff, and administration insiders regard him as a rising star. Tough, smart, practical and ideological, Robinson in the past was the governor's principal speech writer. Now, as director of public affairs and communications, he is in charge of press operations as well. He may have problems with the press, though, because he tends to be close-mouthed and to believe he can control the flow of news. Salary: \$82,117.

**Kevin Brett** — Brett, 32, became press secretary when Larry Thomas left for a brief stint as press secretary to Vice President George Bush. One of the original staffers from Deukmejian's first gubernatorial campaigns — he literally carried the governor's bags on campaign trips — Brett is prized within the administration for his "institutional memory." He's the person who can remember what the governor said the last time he was asked the same question. But Deukmejian also gave Brett the job over the protests of most of his senior staff and a sizable portion of the Capitol press corps, which views the new press secretary as fine for a routine statement but a poor source for inside information about the administration. The job was also downgraded from when Thomas had it, with many of the major press responsi-

But for a conservative like Deukmejian, who has a limited view of just what it is government should be doing, the choices for new second-term goals are limited.

When pressed, administration officials will confess they weren't too happy about the way the state's toxics programs were run in the first term. But they quickly add this has been turned around and things are now functioning smoothly. And they say that the fiscal battles, in the words of new chief of staff Michael Frost, "have to be fought over every year." There is some concern for the need to construct more state highways, but the governor has already proposed selling general-obligation bonds to meet that need, shifting responsibility for solving that problem to the state's voters.

As for the governor himself, when asked about any disappointments in his first term, he mentioned only that the Legislature, on a couple of occasions, "didn't live up to its agreements." There is no talk of administration policies gone wrong, or of things left undone.

Given this belief in its own success, it isn't surprising that the administration has no long list of things still to do. Although not hostile to government like some of his more conservative Republican colleagues, Deukmejian believes gov-

ernment's role is to make California "a place where people can improve their quality of life. Our role is to insure those opportunities are available." The state can set the stage for individual opportunities through its programs, particularly support of the public schools. But the thing that makes everything possible, in Deukmejian's mind, is a "strong economy so there will be jobs."

"As we provide their education...and job opportunities, then they're on their own. They've got to exercise their initiative, they've got to demonstrate hard work and energy to take advantage of those opportunities," Deukmejian added.

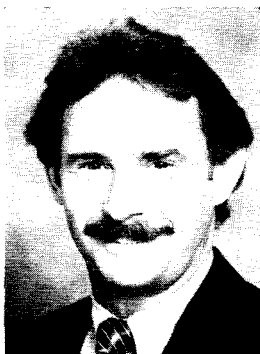
He waives aside warnings from some quarters that the state — crimped by the Gann limit's restrictions on state spending — may soon find itself short of the money necessary to get everyone to the starting line. "We've been doing it quite successfully for some time. And I don't see anything that's going to change that," the governor said.

Given the governor's perceived lack of challenges on the California domestic front, it's not surprising, then, that he is beginning to look for the first time beyond the state's borders. He has taken his first two trips abroad this year, opening state trade offices in Tokyo and London. He says more foreign trips

## n Duke's mold



Kaye



Zaremborg



Mehas



Baxter



Raye

bilities going to Robinson. Salary: \$59,076.

**David M. Caffrey** — New cabinet secretary Caffrey, 39, used to be the governor's administrative officer, which means he was the person who made sure all the paper got pushed from place to place and everyone got paid on time. He's certainly bright and good at what he does, but few expect him to replace Art Scotland — the previous cabinet secretary who was appointed to the Sacramento Superior Court — as a developer of the governor's policies. Salary: \$82,117.

**Loren Kaye** — The cabinet policy-making role may eventually fall to Caffrey's assistant Kaye, 31, who came to the governor's office from the Department of Transportation and before that was an analyst with the California Taxpayers Association. Smart and politically sensitive, Kaye is also competitive and aggressive enough to expand his role into the internal vacuums that exist over developing new policies and programs for Deukmejian. Salary: \$56,340.

**Allan Zaremborg** — Probably the smoothest transition in the new team will be in the office of legislative secretary — the governor's lobbyist with the Legislature. Zaremborg, 38, was deputy to Frost before his promotion in April and is widely respected by lawmakers as competent and forthright. He also knows just how far he can go in making commitments on behalf of the governor.

Not knowing that was the downfall of Deukmejian's first legislative secretary — Rod Blonien. Salary: \$82,117.

**Peter G. Mehas** — The point man for the governor's educational policies, Mehas, 47, is one of the few outsiders allowed onto the new team. Mehas comes to the job from the Clovis Unified School District in Fresno County, where he was an assistant superintendent. More publicly outspoken than most of the Deukmejian team, he has already shown himself to be a capable defender of the governor. His role is expected to increase as conflicts over education financing continue. Salary: \$75,000.

**Marvin R. Baxter** — One of the few top staffers to be with the governor for his entire administration, Baxter, 47, as appointments secretary has had a key hand in shaping an administration that gives substantial authority to its appointees. Baxter has also been in charge of the selection of Deukmejian's "common sense" judges — a responsibility that in other administrations has gone to the legal-affairs secretary. Salary: \$82,117.

**Vance Raye** — The governor's lawyer, Raye, 40 has also been with the governor since the start of his first term. Deukmejian is a lawyer himself and gives great weight to legal advice. But Raye's advice does not usually move beyond the legal into the area of policy. Salary: \$82,117.

— Richard Zeiger

can be expected, although at least for now they will all be related to promoting California's place in the world economy.

His citizens committee — which is run by his three closest political advisors: Merksamer, attorney and money-raiser Karl Samuelian and San Clemente lawyer Ken Kachigian — serves a dual purpose of providing a vehicle for national activities, such as a Republican presidential debate, and protecting his political flanks on the home front. His advisors claim it will be wildly successful. Asking for only small contributions, they hint that thousands of people responded to the group's first newsletter, but they are not yet willing to reveal actual figures.

But beyond that, his advisors can get the governor to commit to no more than "keeping his options open." For the record, Deukmejian says he has no presidential plans, and although he flirted briefly with the idea of a favorite-son candidacy in 1988, he has ruled himself out of the running for national office this time around.

In fact, he is much more likely to spread talk of a third term, something no one has managed since Earl Warren was governor. His advisors are actively preparing for that possibility. Samuelian said the governor's reelection committee will hold its first fund-raising events sometime this fall as part of an effort to amass the \$18 million or so that will be needed for a third-term campaign. Not insignificantly, the money will be raised under state rules, which means that most of it probably could not be transferred to any presidential campaign effort, should the governor decide to shoot higher.

The third-term talk keeps the governor from becoming a lame duck and helps hold his political opponents at bay. And for Deukmejian, some of his advisors guess, it could also set the stage for a presidential campaign. These advisors believe that Deukmejian is more likely to pursue national office while still an officeholder rather than take the Ronald Reagan or Jimmy Carter approach of being out of office and devoting full-time to campaigning.

"George Deukmejian is the kind of person who lets his record speak for him. Can you see him on the chicken circuit?" notes one close political advisor.

But all is not perfect for the governor. There are some warning signs that there could be problems in the three years remaining of his second term. First of all, he must now operate with a new team in the governor's office. Although members of the governor's staff are quick to argue that nearly all of the new players have been with the governor in one capacity or another since the beginning of the administration and are praised for their technical abilities, most are serving for the first time in major policy-development roles and few have been through an election campaign with Deukmejian (see story, page 424).

**A**ll of the staff members who provided the political advice that made Deukmejian governor in the first place — former Finance Director Michael Franchetti, political operatives Sal Russo and Doug Watts, chief of staff Steve Merksamer, legislative secretary Rod Blonien, cabinet secretary Art Scotland and press secretary Larry Thomas — have left.

Most of the attention is falling on new chief of staff Frost who moved over from his job as legislative affairs secretary. Frost replaces Merksamer, who had been with the governor since he was attorney general and who was noted for his "symbiotic" relationship with Deukmejian. Frost is bright, thoughtful and practical — a typical Deukmejian appointee. But his creativity and ability to forge new policies for the governor, or to keep him out of political quagmires, is unproven.

Frost is confident he and the rest of the new team are up to the job. He feels the new staff proved its worth and tough-

ness under fire in this year's budget fight, holding off the spending desires of legislative Democrats and winning for Deukmejian the right to claim responsibility for a \$1.1 billion tax rebate sometime next year.

But that battle was only a skirmish in what may turn into a long war over the Gann spending limit. With hindsight, it may prove to be a battle that was comparatively easy to handle. For now, at least, the issues are clear and the power relationships among the players well established.

**I**n the long run, the limits imposed by Gann may prove trickier for Deukmejian to live with. There is already pressure on the governor to increase financing for highways, and it is coming from people who are usually Deukmejian supporters. There is also growing concern among the electorate to provide more money for education. The school-age population is growing faster than the population in general, which means schools will need a larger and larger share of the state budget just to keep even. At the same time, the population overall in the state is growing older, which means there will be even more pressure on the state to provide medical services — the second biggest area of the state budget.

Deukmejian-backers believe that the governor, if he decides to run for a third term in 1990, will be able to show voters a record of increased spending in these areas, while still living within the restrictions of Gann. But there is the possibility — verified in some of the more recent public-opinion polls — that the public will see the need for services outstripping the governor's willingness to provide them. That could give some Democrat the opportunity to run for office on the platform of "getting the state moving again."

Finally, there is the personality of Deukmejian himself. Although usually considered an even-tempered, thoughtful, if passionless individual, there is a rigidity in Deukmejian and a willingness to strike out at opponents that can, at least temporarily, blind him to some of the implications of his actions. These characteristics permit the governor to stick to a course of action he believes in when just about every other element of the political community disagrees, and the personal demons he creates — be it Los Angeles Mayor Tom Bradley or schools chief Honig — can be blamed when he is criticized.

Most of his advisors believe these tendencies have been an asset for Deukmejian. It was his determination, they say, that allowed him to find a way to balance the state budget when he first came to office in 1983, to insist on educational reforms before providing more money for schools, and to force \$1.1 billion back to California taxpayers. And by making Honig a partisan opponent this year, he was able to rally Republican support for his education budget.

But there is some concern that these traits may cause the governor to make mistakes. Some, for example, say there was no reason for the governor to come down so hard on Honig. Deukmejian could have ignored the schools chief but instead made him the target of his wrath. In the process, Deukmejian promoted Honig as a future gubernatorial candidate, something that might have been beyond Honig except for the governor's boost. And the possibility remains that he will be intransigent on the Gann issue longer than the electorate would like.

However, the governor himself refuses to acknowledge the prospect of problems, and his advisors see these things, at worst, as only possible choppy spots in a lake that looks to have clear sailing.

The big question Deukmejian has not answered for his political crew is just which direction their captain intends to take. It's a question he's in no hurry to answer. After all, he likes being governor. He likes it very much. ■



MEDI-CAL

# An ailing health system for the poor

By J. S. TAUB

**C**alifornia's system for delivering health care to four-and-a-quarter million poor and indigent people is ailing, and medical-care providers have laid much of the responsibility for this decline at the door of the Deukmejian administration. Spending cuts for the massive Medi-Cal system, they say, have all but shredded the so-called "safety net" — the network of doctors and hospitals that treat those who need medical attention but cannot pay the spiraling costs of medical care.

The result, say health-care experts, is a system that provides one level of care to those who can afford it and a lesser quality of care to those who can't — in direct contrast to the federal government's commitment, during the 1960s, to "mainstream" the poor into quality health care through its Medicare and Medicaid (Medi-Cal in California) programs.

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Administration officials, while acknowledging some problems, say that health care for the poor is adequate and that proposals to transfer more responsibility for the system to counties will make the system more flexible.

Basically, the state provides health care for two types of poor citizens — Medi-Cal recipients and medically-indigent adults (MIAs). Medi-Cal is a medical insurance policy that covers four million Californians who qualify for federal assistance programs: the aged, blind, disabled, single and/or unemployed parents, pregnant women, children under 21 and residents of most long-term care facilities. The state administers the federal program, and outlays from the state's general fund are matched dollar-for-dollar by the federal government. Doctors and hospitals treat Medi-Cal patients under contracts negotiated with the state.

Not all poor people qualify for Medi-Cal, however. About 250,000 Californians are able-bodied but employed in low-wage jobs which do not offer health insurance as a benefit,



Gates



Allenby

nor can they afford health insurance out-of-pocket. They are treated at county hospitals and so-called "safety net" hospitals. The state and counties share the cost of this health care.

However, health-care experts say the system is being overwhelmed by problems — doctors and hospitals not being paid for providing care; physicians refusing to treat Medi-Cal patients; poor patients dumped into county hospitals by private facilities; hospital overcrowding; diminished access to prenatal care; and rising infant mortality. Lawmakers, doctors, hospital chiefs, county health directors and community activists charge that funding cutbacks exacerbate the problems, perpetuating a two-tiered health-care system that may actually be causing deaths among those at the bottom of the economic ladder.

At present, the state's poor and sick are caught in a deadly policy game between the Deukmejian administration and its opponents over the future structure and funding of Medi-Cal and the county MIA program. The Deukmejian administration has been cutting back funding and paying doctors and hospitals less than the medical profession thinks is necessary to provide competent care. The administration claims that funding is adequate and disputes claims that hospitals lose money on every Medi-Cal or MIA patient.

But some counties are being sued by patients who charge that the level of care has fallen below that mandated by state and federal law. And county health officials are reluctantly considering litigation against the state should they lose those lawsuits. In addition, hospitals and doctors are examining options to abandon the state's Medi-Cal contracting program altogether as the gulf widens between the cost of providing care and what the state pays for that care.

Counties, in particular, seem to be suffering because of funding cutbacks and increased pressure on county medical facilities. Part of this pressure has been caused by the dwindling number of private doctors willing to treat Medi-Cal patients (only about half of all physicians in the state). Many private doctors are unwilling to treat Medi-Cal patients because they claim to lose money on each visit. Thus, more and more Medi-Cal patients are dumped onto the county — the so-called "provider of last resort." This stretches the counties' capabilities as Medi-Cal patients compete with MIAs for limited medical attention.

As a result, county health officials are particularly alarmed by Governor George Deukmejian's proposal, presented in his 1987-88 budget, to ease the state out of the business of funding health care for MIAs. The state would give up a ¼-cent sales tax to the counties in the form of a block grant and counties would use this money to provide health care for MIAs. The counties, however, would not be bound to use these tax proceeds to fund health care. The current formula

splits the cost of indigent health care between the state and the counties. When Medi-Cal reform went into effect back in 1982, the state agreed to pick up 70 percent of the tab for treating MIAs. By this year, the state contribution had eroded to cover just 55 percent.

Legislation to implement this "disengagement" was introduced in both houses of the Legislature this session, but neither proposal made it out of committee. Democratic Assemblyman Bruce Bronzan of Fresno, a member of the Assembly Health Committee, says disengagement would be a disaster. "Instituting a block grant will ultimately result in the state abandoning its responsibility to medical indigents, period," Bronzan says.

For his part, the governor refused to add money for various health-care programs until lawmakers dealt with his disengagement proposals. To this end, he vetoed legislative augmentations of \$69 million for county services to the medically indigent; \$20 million for safety-net hospitals' Medi-Cal outpatient services, specifically earmarked for "disproportionate share" hospitals with a high level of bad debt and charity care; \$20 million for trauma and emergency services; cost-of-living increases of 1 percent for all outpatient providers and an 18.6 percent hike for obstetrical services. He let stand a \$25 million augmentation for "disproportionate share" hospital inpatient services, and \$4 million for Medi-Cal rural hospitals. County health directors point out, however, that even this amount was only half what counties had been promised.

"The state has moved from a commitment in partnership with Medi-Cal to a diminishing-return attitude," complains Senator Diane Watson, a Los Angeles Democrat and chairwoman of the Senate Committee on Health and Human Services.

Cliff Allenby, secretary of the California Health and Welfare Agency, defends disengagement and is watching what the counties do with their \$89 million no-strings stash. "Counties should have more flexibility," Allenby says. "It is always difficult for us to direct and dictate programs that are equally rational throughout the state because it's too diverse."

County health directors disagree. "This is a bailout of the state's responsibility to the poor," says Robert Gates, director of health services for Los Angeles County. "Disengagement means that if a county has an AIDS epidemic or high unemployment, the state can say, don't come to us, it's your problem. As we have seen with all block-grant arrangements, the agency giving the grant feels free to cut it with impunity."

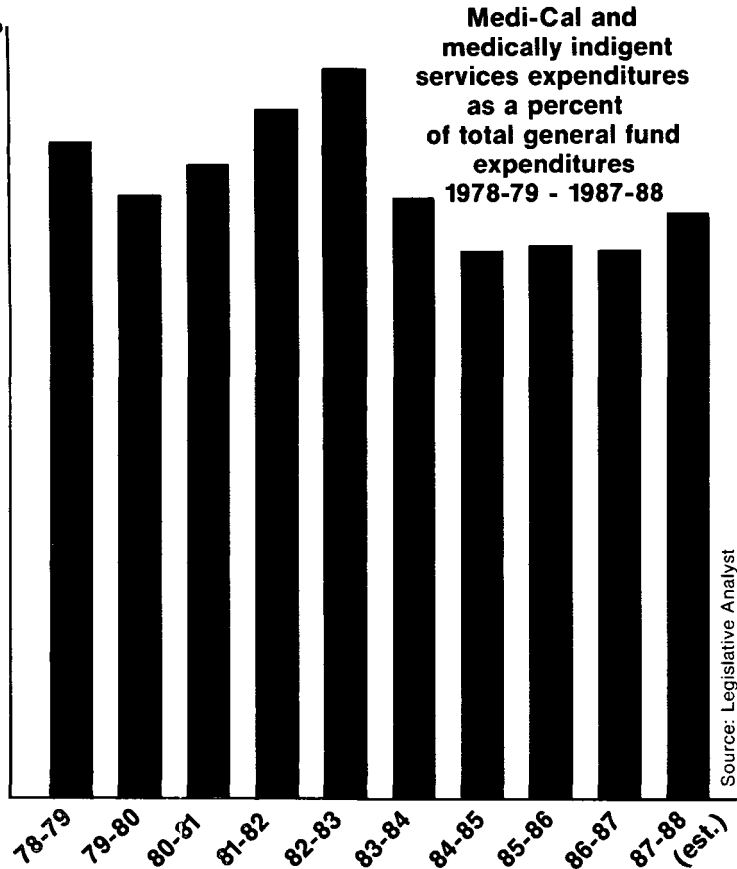
Dr. David Werdegard, health director of San Francisco County, doesn't think ¼ cent is enough and is disturbed by



Margolin



Bronzan



the "no strings" approach. "For disengagement to work, it has to be generously funded and linked directly to health care. The block grant mode is too political. It leaves things too open-ended," he says.

"No one is developing a delivery-reimbursement policy in terms of what's best for people who need health care, or what the ramifications are if they don't get it," says Robert Sillen, executive director of Santa Clara Valley Medical Center in San Jose and chairman of the National Association of Public Hospitals. Sillen says hospitals and doctors compete for regular patients all the time, but that no one competes for the poor.

Few want to compete for the poor because hospitals and doctors say they lose money treating them. The California Association of Hospitals and Health Systems (CAHHS) estimates uncompensated care cost California hospitals \$1.5 billion in 1986 — \$900 million in bad debt and charity care; \$600 million for the difference between Medi-Cal reimbursements and the actual cost of treating patients. Uncompensated care represents 10 percent of total hospital costs, and Medi-Cal shortfalls account for 40 percent of that figure.

Doctors, too, say that compensation from the state is too low, a dispute made worse in 1987 when the administration attempted to cut physician reimbursements by 10 percent for six months to recoup an anticipated \$280 million shortfall in the fiscal 1987-88 program budget. The attempt was put on hold by a court injunction after the state was sued by doctors. Critics called the shortfall bogus, engineered by the administration as part of a protracted effort to skin Medi-Cal. They cite a report by the state's legislative analyst which said the shortfall occurred because the governor's 1986-87 budget did not include funds for all the predictable costs of the program. Critics contend that another shortfall is in the wind for 1987-88 because again the administration has underestimated Medi-Cal usage.

Other findings by the legislative analyst tend to support county officials and Medi-Cal providers: Medi-Cal costs are not keeping pace with the private sector; Medi-Cal cost in-

creases are below the health-care inflation rate; and California's cost-per-user ranks the lowest among the 12 largest states and "significantly lower than the national average."

Armed with this information, hospitals and health-care providers will be assuming a "harder edge in dealing with the state," says Mark Finucane, director of Contra Costa County health services. "Generally, it is a strategy of frustration to force the issue that public-health departments are underfinanced," he says.

County officials feel particularly frustrated because they cannot arbitrarily cut back on funding for medical care. Before any such cut, the county board of supervisors must conduct a series of public hearings. Then, even if the budget is cut, counties are subject to MIA-sponsored lawsuits charging that the level of care is below the minimum permitted by state law. At present, Contra Costa, Marin, Los Angeles, Ventura, Lake and Stanislaus counties have seen, or are anticipating, such actions, with more actions anticipated elsewhere.

Los Angeles County's Gates is tight-lipped in response to studies depicting deplorable conditions in LA County public hospitals. The reports detail access problems in pregnancy care, ambulatory services, emergency-room care and inpatient services. "We are working on a response to those studies and don't want to comment too much except that there is some debate as to quality of care."

Health-care professionals aren't the only ones putting pressure on the administration. Grassroots coalitions have banded together behind health-care access initiatives. According to Lois Salisbury, chairwoman of a statewide health-care coalition called Health Access, more litigation may result from this kind of heightened political activity.

Some observers suggest that taxpayers are now sending Sacramento a different signal than during the tax-revolt days of the late 1970s. For instance, a 1987 survey by Mervin Field's *California Poll* indicated that 48 percent of Californians support increased spending for Medi-Cal. The Field poll also found that 67 percent of state residents say government



Watson



Werdegarr

should spend tax dollars on medical care for the poor and uninsured.

Like everything else in government, however, health-care financing falls under the umbrella of the Gann spending limit, which prevents state and local government spending from growing faster than the rate of inflation plus the rate of population growth in any given year. Thus, if the state wants to add more money for Medi-Cal, it can only do so by cutting some other program.

Within this changing climate, the California Medical Assistance Commission (CMAC), which oversees Medi-Cal contracting of 276 of the state's 541 hospitals, may find itself

with fewer willing facilities and a lot less leverage as hospitals relinquish their contracts because of low reimbursement rates. "I see an increasing trend; a growing number of hospitals that are dropping out of the Medi-Cal contracting system. That is worrisome and troubling. This system is unraveling — it is falling apart," says Assemblyman Burt Margolin, a Los Angeles Democrat.

In the days before Medi-Cal reform, patients who qualified for the program were treated by the doctor or hospital of choice, and the state paid the tab. MIAs were treated in much the same way. But in 1982 concern over runaway costs combined with the state's fiscal crisis to produce a move for reform of the Medi-Cal program. The state put a ceiling on what it would pay for medical care, and hospitals had to contract with the state to serve the Medi-Cal population. In the beginning, this was attractive to hospitals because, while rates were not high, a Medi-Cal contract at least brought in patients. It also brought in doctors, who would bring along

other, paying customers. Doctors were willing to serve the Medi-Cal population because they could shift the cost of providing this care to wealthier patients — and to these patients' insurance companies.

But since the reform, there has been a proliferation of health-maintenance organizations (HMOs) and preferred-provider organizations (PPOs) which funnel patients to physicians at negotiated, discount rates. Thus, physicians are unable to shift costs elsewhere, and this has eroded their ability and willingness to undertake charity care.

As a result, hospitals and doctors are leaving the system. CMAC says 31 contract hospitals have terminated and left the program since 1983, not including hospitals like San Bernardino County Medical Center which terminated its contract over a funding dispute with CMAC, only to reenter the system with a more favorable rate. Fred I. Johnson, director of health services for Shasta County, says Shasta General Hospital, with half of its patients on Medi-Cal, was faced with dropping

## Pregnancy care : A costly

**A**t a time when the Deukmejian administration is proposing major surgery on the state's Medi-Cal program, it is beginning to acknowledge the consequences of ignoring an especially disadvantaged subset of medical indigents — "Medi-Cal moms" and their babies.

"OB care is the number one access problem we have because doctors will not provide the services," says John Rodriguez, deputy director of the Department of Health Services, which runs the state's Medi-Cal program.

Expectant mothers on Medi-Cal and medically-indigent women without state coverage for medical expenses have both experienced dwindling access to prenatal care, accounting for the burgeoning infant-mortality rate statewide.

In 1985 Health Services reported 4475 infant deaths, a 6 percent rise over 1984. It also noted the infant-mortality rate rose from 9.4 to 9.5 infant deaths per 1000 births in 1985. This rise directly correlates to women's increasing lack of prenatal care, according to Children's Research Institute of California.

The institute says, in a 1987 report: "Babies in California are dying needlessly or being born with preventable health problems because their mothers do not receive adequate health care during pregnancy."

Whereas in 1970 California ranked seventh among the states for its low infant-mortality rate, it ranked 14th in 1983. In 1970 California ranked 10th among states in prenatal care during the first trimester of pregnancy; by 1983 it had sunk to 29th.

If the state has a humanitarian interest in healthy mothers and babies, its fiscal concern should be overwhelming. The Children's Research Institute estimates that California could save \$22.4 million a year if it provided prenatal care to the 32,000 pregnant women who now go without it.

Medi-Cal spends an average \$2200 more to hospitalize a baby whose mother received no prenatal care than one whose mother did. Researchers estimate it would cost taxpayers \$1000 for adequate prenatal care and delivery of a healthy baby to an indigent mother, as opposed to the \$19,000 the state now spends when a low-weight infant must be hospitalized.

Results of the state's pilot Obstetrical Access Project support the institute's findings. The pilot project reveals that

Medi-Cal would save \$1.70 for every dollar it invested in prenatal care, or \$54.4 million a year. Conducted as part of a federal pilot program, and passed into state law this year (AB 3021, by Democratic Assemblyman Burt Margolin of Los Angeles), OB Access would result in net savings of \$22.4 million in avoided hospital costs for babies during their first year.

The pilot program, which operated in 13 counties between 1979 and 1982, saw a one-third drop in low birth weights and a tenfold reduction in very low birth weights — the primary cause of infant hospitalization.

"The governor is on our side on this one because we were able to produce hard data that convinced him of the short-term fiscal-year savings of the OB Access program," says Assemblyman Margolin. Margolin says OB Access is a "case-managed" approach in which the prospective mother is examined at least nine times during her pregnancy and is also given psychosocial services and nutritional guidance to prevent a low birth weight. Another Margolin proposal being eyed by the Legislature, and strongly supported by Health Services, would add \$150 to OB physician reimbursement fees.

Health Services sees AB 3021 as a major move toward better access to prenatal care. "We finished the design of the comprehensive prenatal program and are finalizing the regulations," Rodriguez says. "When we're done, it will bring enough providers into the system to see moms at the early stages of pregnancy, so they can have the proper number of prenatal visits to prevent low-weight infants," he adds.

How will this be funded? Rodriguez isn't sure. "We don't have the money yet, but it will be derived from savings in other areas. There are still areas where money can be freed up. There are still smarter ways to purchase drugs, for example, and we are looking at things like that. I know we need more money in the OB area, but I can't give a per-year figure," he says.

Margolin says the \$150 reimbursement hike for physicians is still too low to attract a substantial cadre. "We've had a lot of difficulty with the administration on this. We failed to persuade them that by adding just \$150 to the already terrible rate, there is no way we can get enough physicians to participate," he says.

the Medi-Cal contract or risking closure. Johnson says the administration's 10 percent cut in physician reimbursements would have cost Shasta nearly \$1 million a year for Medi-Cal outpatient services, widening the gap between what it costs to provide care and how much the hospital was reimbursed. The hospital terminated the contract.

The CAHHS, the hospital lobby, doesn't officially endorse its members bailing out of Medi-Cal. But C. Duane Dauner, president of the trade group, suggests, "If through negotiations the hospitals get no increase in payments, there may be no other options. More hospitals will be doing this in the future because they are in dire straits financially."

The state acknowledges this tougher attitude among providers but disputes their rationale. "It's clear that there are pressures on the system and will continue to be, especially in the long-term care area," says Health and Welfare Secretary Allenby. "We know that costs will go up in the future, and that the level of funding will also be going up. But the hospitals'

contention that our price isn't sufficient to cover costs is a hard argument to accept. They have the alternative of not entering into the contract. There is no gun to their heads."

The Department of Health Services argues it is just doing its job. "Our job is to get the good deals," says John Rodriguez, DHS deputy director.

The California Medical Association (CMA), the physician lobby group, says physicians and their patients are getting a raw deal. The CMA sued the DHS and obtained a temporary injunction against the state's proposed 10 percent cut to doctors, temporarily derailing the proposal. The action also underscored the fact that Medi-Cal is a doctor-driven system. If doctors drop out, patients lose access to medical care, and contract hospitals suffer.

According to the CMA, declining payments have caused doctors all over the state to abandon the system. Another 10 percent cut, the association warns, will cause even more doctors to withdraw from Medi-Cal and further weaken

## System in dollars and lives

Regardless of price, doctors are spooked by the prospect of delivering Medi-Cal babies, which Dr. Frank Staggers, a Berkeley physician, says are among the riskiest patients. "If you deliver a bad baby — a live baby with birth defects — and the mother did not have prenatal care, it is up to the doctor to prove he didn't do anything wrong," Staggers says.

Financial pressures on OB/GYN doctors are also acute. Obstetrics malpractice-insurance premiums rose 100 percent in 1986 — to \$40,000 a year for doctors in Northern California and \$60,000 a year for those in the southland, and that is the primary cause of restricted access to OB/GYNs for all pregnant women, not just the poor.

A 1985 survey by the American College of Obstetricians and Gynecologists revealed that 44 percent of obstetricians statewide either quit delivering babies, reduced the number of deliveries or were considering doing so. This jives with statistics which reveal that about 70 percent of Medi-Cal patients are currently being treated by just 20 percent of the state's obstetricians.

Meanwhile, California is in the midst of its own baby boom. Between 1979 and 1985 the number of babies born in the state rose 24 percent.

Medi-Cal reimbursements for maternity-care providers hover between one-fourth and one-third of customary fees. This bodes ill especially for indigent mothers who are more likely to have "high-risk" pregnancies due to age, pre-existing health conditions or destructive lifestyles. The Children's Research Institute reports that women in 26 counties in the state have virtually no access to OB doctors. In Contra Costa County the ratio of doctors to Medi-Cal-eligible women of childbearing age is 1-to-1634. In Kern County the ratio is 1-to-1259. In Yuba County it is 0-to-2958. Statewide, the average is 1-to-625.

A study published in June 1987 by health-policy consultant Geraldine Dalleck in Los Angeles found that only 55 percent of women delivering babies at Los Angeles County facilities had received prenatal care, compared with 76.8 percent of women who delivered at other hospitals in the county.

Though the popular view is that Medi-Cal moms fail to seek medical care, Dalleck found the major reason indigent women aren't being properly cared for during their pregnan-

cies is that it can take up to three months to get a prenatal appointment. Moreover, "Because of overcrowding, pregnant women may spend hours in a county clinic waiting for care ... women with high-risk pregnancies often wait four hours for a five-minute prenatal care visit," the report says.

The Dalleck study further notes that in Los Angeles, the county's inpatient obstetrical facilities are perpetually swamped. She found that the number of county-responsible births nearly doubled since 1978, to 23,000. She projects a 21.9 percent hike over that figure by 1991. At present, three county hospitals are responsible for 19 percent of all county births.

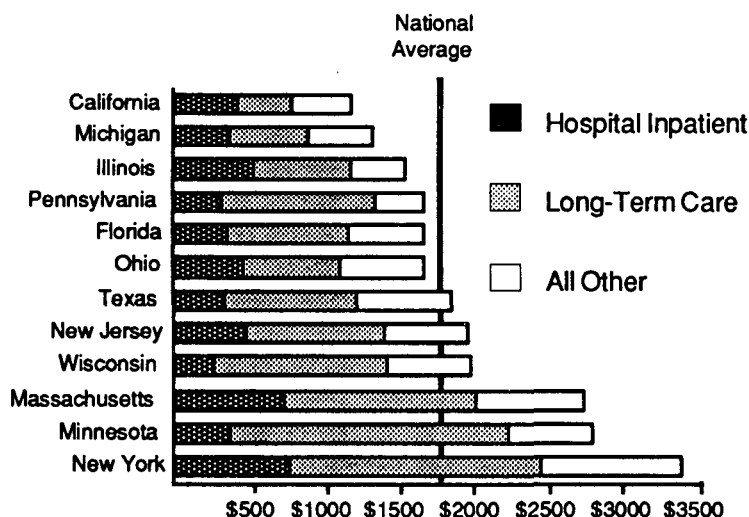
Further, women delivering babies in Los Angeles County facilities are often subjected to degrading and dangerous conditions. The following memo was passed on to the Service Employees International Union Local 660 on May 15, 1987, by an obstetrical nurse at Harbor/UCLA Medical Center: "...there were 15 deliveries. All patients came to recovery room. One nurse took care of them. There was overflow of patients. No beds available on post partum unit so some patients had to sit in wheel chairs for many hours. This situation happens a lot here..."

Research from UC Santa Barbara reports Los Angeles County hospitals have 11.4 percent more newborn deaths than expected, despite accounting for high risks. And LA County is not unique. At Highland Hospital in Oakland, one in seven babies delivered in October 1986 had no prenatal care at all — a 31 percent increase over the same month in 1985. Orange County prenatal clinics turned away 2000 indigent patients in 1985 because of limited resources. In San Diego 1245 pregnant women were denied care for that reason.

County health directors are trying to respond. Contra Costa County is teaming up with Solano County to open a prenatal clinic. "There are no OB docs in Solano County so we are working on a joint venture where our docs will see these patients and then bill Medi-Cal," Says Mark Finucane, the county health director. "People look for care where they can find it. We deliver lots of babies from Solano. It shows that county lines are immaterial in seeking health care."

— J.S. Taub

## Medicaid Costs per User Federal Fiscal Year 1985



Source: Health Care Financing Administration.

the quality and availability of medical care for Medi-Cal beneficiaries. Statewide, only 44.7 percent of physicians participated in the Medi-Cal program in 1986; a figure, the CMA says, is optimistic because it does not account for the large number of physicians who are only marginal participants, the decline in Medi-Cal participation between 1983 and 1986, and the increase in the supply of physicians during the same period.

At present, Medi-Cal reimburses physicians at approximately 41 percent of usual fees, down from about 50 percent before Medi-Cal reform. Before contracting and negotiated rates, physicians were able to shift the cost of charity care to paying patients and insurance companies, but these opportunities no longer exist. Thus physicians, with an eye on overhead and skyrocketing malpractice-insurance premiums, say they can no longer afford a high volume of non-paying patients.

"The reality is that a patient cannot have access to a doctor when he is being paid only 40 percent of what he would customarily charge," says Dr. Frank Staggers, a Berkeley physician associated with an Alameda County hospital whose patient mix is at least 40 percent Medi-Cal. Staggers says he has cut back on Medi-Cal patients over the last year and will now give preference only to physician referrals.

Moreover, doctors say they are sick of hassling with the state over Medi-Cal claims. A survey by the San Francisco Medical Society reveals that only 64 percent of submitted Medi-Cal claims were reimbursed. The rest were denied for a variety of reasons, including failure to properly fill out forms. The 1985 survey estimates that private physicians in San Francisco provided an average of \$51,000 in free care, including \$32,000 in care billed but not paid for and \$19,000 in unbilled care. In addition, they lost \$34,000 in discounted services to Medicare and Medi-Cal patients.

Some critics of state policy contend that the Medi-Cal reforms of 1982 have had a devastating impact on access to and delivery of health care to the state's poor. "A follow-up on mortality and morbidity rates shows they have risen since the

Medi-Cal reforms of 1982 were implemented. More people are sick, they are sick longer, and more people are dying because of what we have done to Medi-Cal," says Assemblyman Bronzan.

According to David Kears, Alameda County health director, when people can't easily see a doctor, they tend not to seek preventive care but often wait until an ailment, injury or disease has become acute, thus forcing their health care into the emergency room. Crisis treatment then becomes the health-care system and that, says Kears, is much more expensive than preventive practice.

"There is a fundamental flaw in the state's approach to health care since Medi-Cal reform. It has become a health-care budget in search of a policy, wherein we have to deduce a policy from the budget figures, and where health-care policy is based on fiscal policy. This lacks integrity and leadership," says Kears.

This cut-and-slash attitude has been the system's hallmark since the 1982 reforms were passed. By instituting a system of contracts, the state made health care competitive for Medi-Cal, while at the same time "transferred" responsibility for medical indigents from the state to the counties and reduced the program's scope of medical coverage. Since 1982, an estimated \$2.5 billion has been carved out of the system.

Fiscally, reform has been a smash. "There was excess in the system and, at that time, expenditures for health and human services was growing faster than any other part of the budget," says Senate Minority Leader Ken Maddy of Fresno.

Even the opposition concedes that Medi-Cal contracting has cut the fat out of hospital operations. The CAHHS told a Senate-Assembly Task Force on Medi-Cal that hospital cost increases have been cut from 18 percent a year during the early 1980s to 7 percent — an estimated savings of \$1.2 billion since 1983. But medical experts warn that monetary savings have been achieved at the expense of the poor who must delay or be denied medical care until their illnesses become critical.

Health Services maintains that the savings were achieved without sacrificing health care to the poor. "If you define access as being equal quality and quantity of care, we have achieved that goal at a price California residents can pay," says Health Services' Rodriguez. He denies that access has been affected. We contract with hospitals all over the state, and 90 percent of our money is spent on this. When a person has an emergency, they can go to any hospital," Rodriguez says. Yet he concedes that there "continue to be access problems in the primary-care area."

An April, 1987, study in Los Angeles and Orange counties by E. Richard Brown of the UCLA School of Public Health confirmed that "medically-indigent persons have experienced reduced access compared to Medi-Cal, and less care than would be medically indicated."

"The lower-than-expected volumes of hospital discharges in Los Angeles and outpatient visits in Orange County suggest that indigent patients in each county may have serious problems obtaining access to needed medical care," Brown says.

Though uniform statistics do not exist statewide, county health directors in the north state concur with the Brown findings. "Medi-Cal reform is a euphemism for attempts to reduce statewide funding for health services," says Dr. Werdegard at the San Francisco health department.

Allenby agrees that access has diminished across the board since the reform laws were enacted. "Obviously there will be diminishment among the MIA population, since before 1982 they got the same services as Medi-Cal, and that is not the law now."

But Allenby blames MIAs themselves for not getting proper care: "This population does not take care for itself in the same way as the general population. I don't know that even if the services were available they'd avail themselves of them. This population didn't use the system even when services were provided. There was always a higher utilization of emergency services."

Such controversy comes at a time when California must face harsh demographic realities. Health care for an aging population costs more than for a young, able-bodied one, and California's population is greying. The new federal Immigration Reform and Control Act promises to pour an estimated 700,000 poor patients into the Medi-Cal system. And treatment for people with AIDS, and its accompanying psychosocial intervention, is especially protracted and expensive. These new phenomena may demand changes in the state's approach.

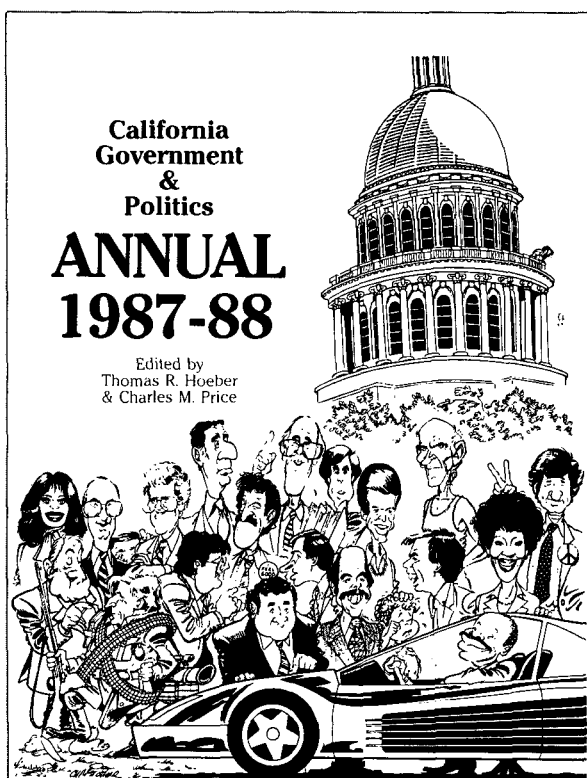
Employment trends signal more of the same. They emphasize further expansion of low-wage, service-sector jobs,

and a new wave of small businesses which offer little or no health insurance to employees. Moreover, an increasing percentage of employees are women with children, many of whom live in single-parent households. Thus, the problem is not only health-care access for the poor but for the increasing ranks of the fully-employed as well.

Lois Salisbury at Health Access says the motivating force behind change will eventually be the middle class, already the weak link in the state's fiscal scheme. "This is not a segregated issue relating only to poor people, but also to the middle class, and their parents and kids. They can't afford health care either."

And despite the litigious atmosphere during this transitional phase, Assemblyman Bronzan feels it is up to the Legislature to work through the kinks in the system and realign the state's policy with the needs and sentiments of the population. "Some issues will be resolved through the judiciary, but on the whole, health care will remain a policy issue, and solving the overall problem will be on us," Bronzan says.

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## California Government and Politics Annual

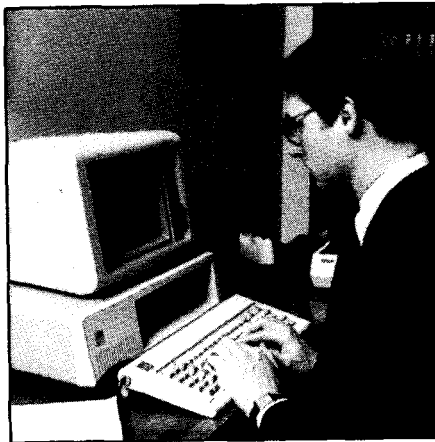
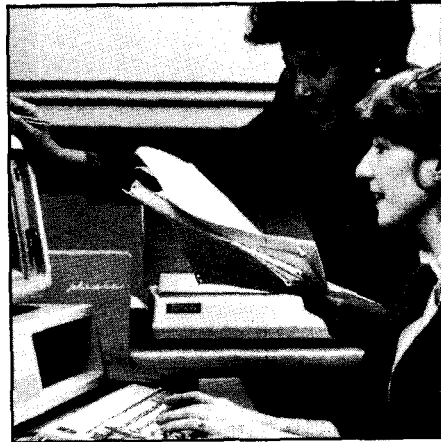
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# JESSE UNRUH

The passing  
of a political giant

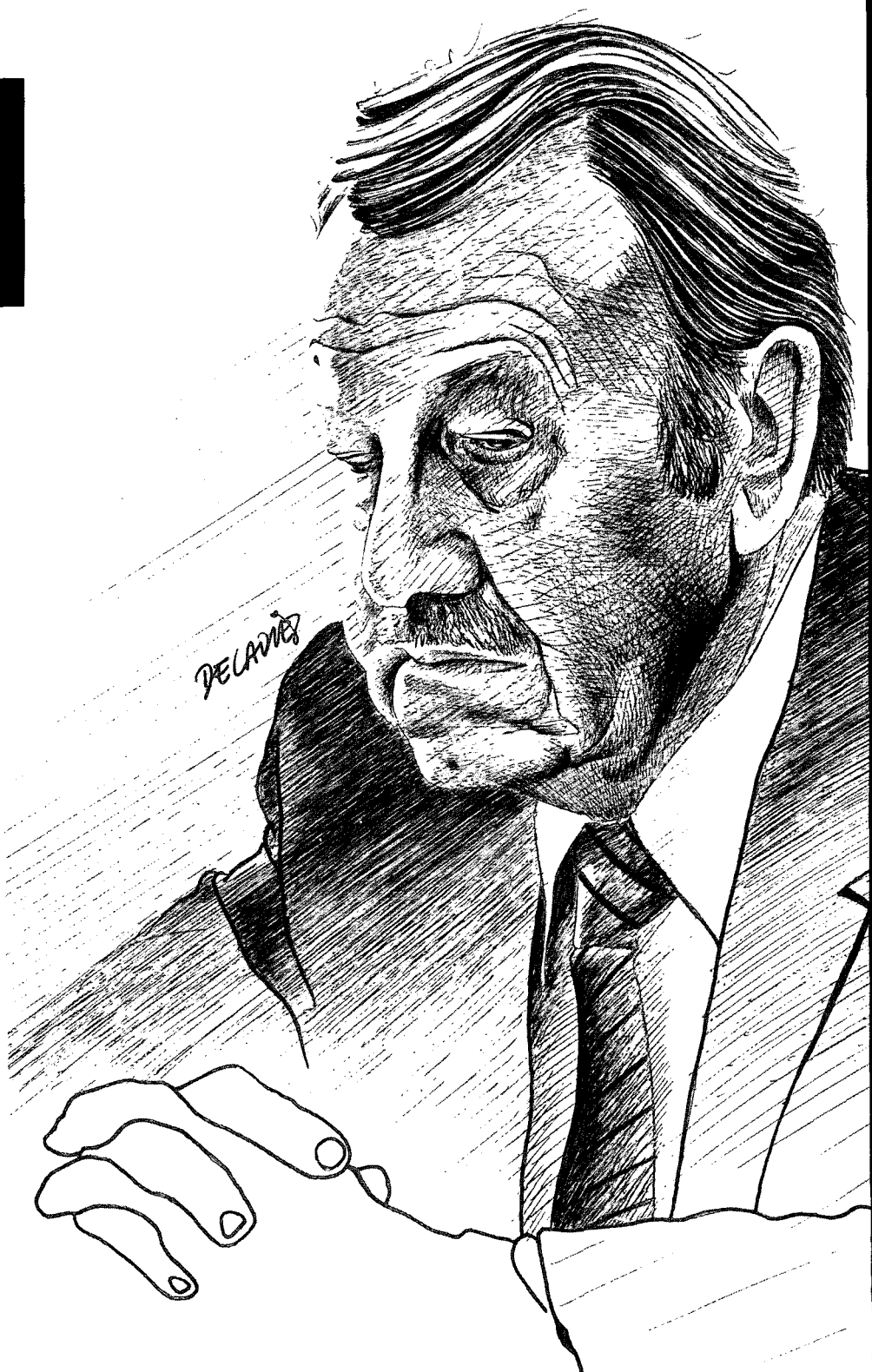
By **ROBERT SCHMIDT**

**W**hen Jesse Unruh was defeated for governor by Ronald Reagan in 1970 he waged a raging, furious battle that he knew from the start he was not likely to win. But the campaign typified the strengths in Unruh's combative, determined character. That character came to the fore during another battle he could not win — the four-year struggle with prostate and bone cancer that eventually took his life on August 4, 1987. He was 64.

The son of an illiterate Texas sharecropper, Unruh rose from an overweight, unlettered farm boy to become speaker of the California State Assembly, a four-term state treasurer, a confidant of America's most revered political family and, quite probably, the politician who made the most profound and lasting impact on California's governmental process. Unruh's mastery of legislative and administrative skills while he served in the Assembly, and his subsequent acquisition of enormous state and national influence in financial circles following his 1974 election as treasurer, prompted frequent comment in recent years that he was "the best governor California never had."

At the root of Unruh's influence

*Robert Schmidt is Capitol bureau chief for the Long Beach Press-Telegram.*



was his unique understanding of the connection between money and power. Although he accumulated both, he also knew that neither money nor power was an end in itself but a means to further a policy agenda. He first applied this understanding in the legislative arena where, as speaker of the Assembly, he conceived and implemented a total restructuring of the State Legislature. His vision turned a part-time decision-making body clearly inferior to the executive branch of government into a full-time, professional, truly co-equal partner. The restructuring occurred in 1967, after Unruh had placed Proposition 1A on the previous year's ballot and convinced both gubernatorial candidates — incumbent Democrat Pat Brown and GOP challenger Reagan — to endorse it.

As speaker, Unruh concentrated political power in his office by centralizing the collection of campaign contributions from lobbyists and their employers, and by doling out funds to Democratic candidates in selected Assembly races. Thus, he created the modern speakership, increasing the speaker's importance both to Democratic incumbents and challengers and to contributors who hoped their generosity would buy them access and, possibly, favorable consideration.

The consequent concentration of power in the speaker's office drew considerable criticism about lobbyists' influence, which Unruh dismissed with a memorable quote to *San Francisco Chronicle* columnist Art Hoppe. "If you can't drink their liquor, eat their food, screw their women and then vote against them, you're no damn good," he said.

His blunt language and style offended some people, but opponent and supporter alike respected the iron discipline he brought to his job and to his personal life.

But power in and of itself was not Unruh's ultimate goal. In the Assembly, he used power to further legislative agendas, among them the Unruh Civil Rights Act in 1959 which prohibited discrimination by businesses that offer accommodations or services to the public. Other Unruh legislation banned the refusal of employment to persons because of age alone, prohibited the use of listening devices to record telephone calls without consent or court order, regulated the amount of interest that could be charged on installment purchases, and required full disclosure of all charges on sales contracts.

Of course, Unruh enjoyed the trappings of power. During the height of his

legislative career in the 1960s — less than 20 years after arriving nearly penniless in California — he lectured at Yale, explained the American political system to the Japanese at the request of the U.S. State Department, was asked by the West German government to analyze its system, and was resident lecturer at the Eagleton Institute of Politics at Rutgers University in New Jersey. He also amassed a personal fortune estimated in 1985 to be worth between \$840,000 and \$1.2 million.

He was the first major California political figure to endorse the 1960 presidential candidacy of John F. Kennedy, serving as Southern California manager of the Massachusetts senator's successful primary campaign. Eight years later, he was state chairman of Robert Kennedy's presidential campaign, and was at Kennedy's side at the Ambassador Hotel on the June 1968 night when the candidate was mortally wounded by Sirhan Sirhan.

Although a passionate, liberal Democrat, Unruh had a coldly pragmatic side, as illustrated by his most famous utterance, "Money is the mother's milk of politics."

**J**esse Marvin Unruh was born in Newton, Kansas, September 30, 1922, and moved to Texas with his family when he was seven. Although Unruh claimed his father "never could read or write in 90 years on the face of this earth," young Jesse graduated from high school at the top of his class, forcing himself to take speech classes to try to overcome a pronounced lisp.

Unruh enlisted in the Navy during World War II, then negotiated his way into the Army when it looked as if he was never going to be shipped out of Corpus Christi, Texas. In contrast to his later political career, Unruh spent most of the war on duty in a relative backwater — the Aleutians.

While stationed at Corpus Christi, Unruh married a California girl, Virginia Lemon, and, after discharge from the service, joined her in Los Angeles and enrolled at the University of Southern California.

While at USC, Unruh became enamored of politics, winning student government elections and even running for the Assembly as an undergraduate. He lost his first Assembly race, then lost his second a few years later, before defeating a Republican incumbent in the 65th Assembly District in Inglewood in 1954. He rose rapidly in the Assembly, becoming speaker in 1961 on his 39th birthday.

In 1963 he gave evidence of his re-

solve. He had already earned the nickname "Big Daddy" because of his nearly 300-pound heft, but the tag became pejorative in August of that year when he locked the Republican minority in the Assembly chamber overnight because it wouldn't provide the votes needed to pass the state budget.

Distressed by the wrath that descended upon him for what came to be known as "The Lockup," Unruh decided to do something about his image. Fond of eating, drinking and smoking cigars, Unruh simply willed himself to desist. He ate, he recalled later, one meal every two days in the beginning, and then one meal a day, losing 90 pounds in four months.

He then set about trying to repair the damage to his leadership caused by The Lockup, succeeding enough so that by 1968 he was urged by many Democrats to run for the U.S. Senate. In an ironic twist, he chose instead to run for a safe reelection to the Assembly, spending the bulk of his time and effort managing the California presidential campaign of Robert F. Kennedy and leaving the Democratic senatorial primary open for a former state treasurer seeking a political comeback — Alan Cranston.

The 1968 election season turned bitter for Unruh, however. Kennedy's assassination in Los Angeles in June left Unruh without a presidential candidate. And in November his long term as speaker came to an end after Republicans took control of the Assembly. Unruh had been speaker longer than any of his predecessors.

"I don't think there's any doubt I could have won the (Democratic) primary and beaten Max Rafferty in 1968," Unruh said in a 1976 interview. "But I felt the country needed Bobby Kennedy as president a lot more than I needed to be in the Senate."

Unruh quit his Assembly seat in 1970 to run for governor, losing to the enormously popular Reagan by 501,057 votes in a race most political pundits predicted would be a landslide for the incumbent. The race featured an abrasive, combative Unruh who kept the startled Reagan on the defensive during much of the campaign. He couldn't begin to match the incumbent's fund-raising ability, so he tried to attract as much media attention as possible by holding "media events," some outside the homes of some of the wealthy Reagan supporters who formed the governor's "kitchen cabinet."

Although Unruh lost, he insisted that the campaign was a victory for Democrats because he linked legisla-

tive campaigns to his and the party recaptured the majority in both the Senate and Assembly. And, in fact, Unruh came closer to Reagan than anyone predicted. Three years later, however, Unruh's political career seemed over after he ran a curiously weak campaign for mayor of Los Angeles, losing to Tom Bradley.

One phase of Unruh's career was clearly over, but fate and good timing helped resurrect him in 1974. When Republican State Treasurer Ivy Baker Priest declined to run for reelection due to ill health, Unruh entered the Democratic primary for treasurer on the last day filings could be accepted, opposing a little-known challenger named Gray Davis. Unruh brushed aside Davis in the primary, then easily captured the general election. He was re-elected in 1978, 1982 and 1986.

During his first three terms Unruh expanded the role of the treasurer's office; the treasurer is currently a member of 53 boards and commissions, and Unruh was chairman of 34 of them. It was here, as guardian of the state's vast financial holdings, that Unruh again blended money with power. In 1984, using California's enormous public pension funds as a base, he patched together a national pension-fund network — the Council of Institutional Investors — that massed together over \$100 billion worth of Wall Street clout, with Unruh as guiding light (see "Guardian angel on Wall Street," *CJ*, August 1985). So great was his growing power that *Institutional Investor* magazine, an influential Wall Street publication, hailed him as the nation's "most politically powerful public finance officer outside the U.S. Treasury." He also greatly increased the state's return on the billions of dollars he invested for it.

By 1986 Unruh's power had become so formidable that he was perhaps the only California politician who could get away with not endorsing his party's candidate for governor. In fact, Unruh appeared at a remarkable pre-election press conference with his party's opponent — Republican incumbent George Deukmejian — during which he praised Deukmejian's management of state finances.

But while Unruh's power could move financial mountains and guide him unscathed through political waters, it could not stop the ravages of cancer. The cancer that would eventually claim Unruh's life was first diagnosed in 1983. And although he could not control its eventual triumph, he could and did control what the world knew of it. He told few people, and many of his

early treatments were received at eastern clinics, often while he was on office business in New York.

Following his re-election last November, he confirmed rumors that he had cancer but insisted that he was "definitely not dying." Throughout his final decline, Unruh's schedule was gradually curtailed and he appeared frail in public, although his office continued to maintain throughout the illness that Unruh was "fully in charge."

Unruh is survived by his second wife — the former Christine Edwards whom he married in late October 1986

— one daughter, four sons and one grandson. Unruh was known to have but two passions outside the political arena — country and western music and the Los Angeles Raiders. His passing leaves vacant a constitutional office and allows Governor Deukmejian to appoint a successor. It also leaves a \$1.3 million campaign war chest, an enormous vacuum in California politics, and many mixed feelings on the part of colleagues.

Carthy, no friend to Unruh, said upon Unruh's death: "Jesse Unruh left no one indifferent." 🏠

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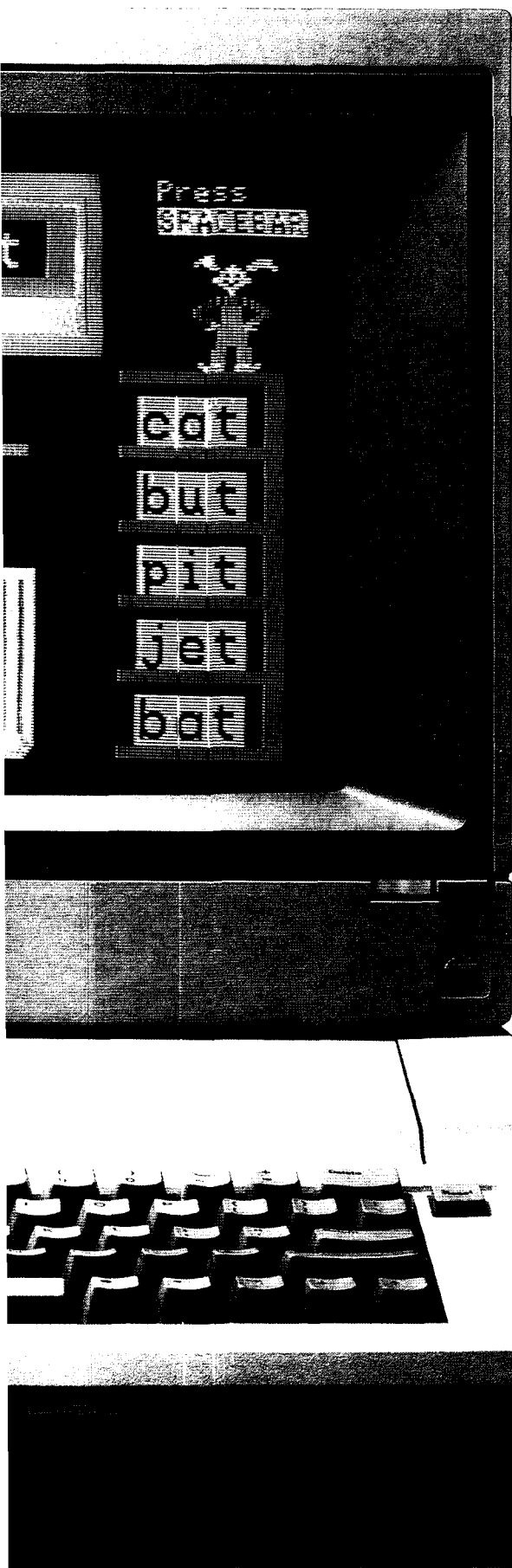
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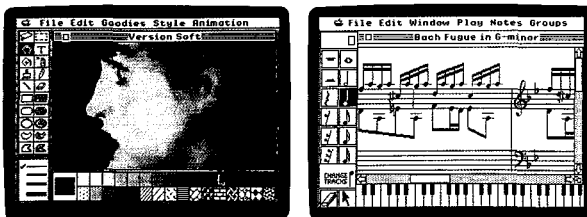


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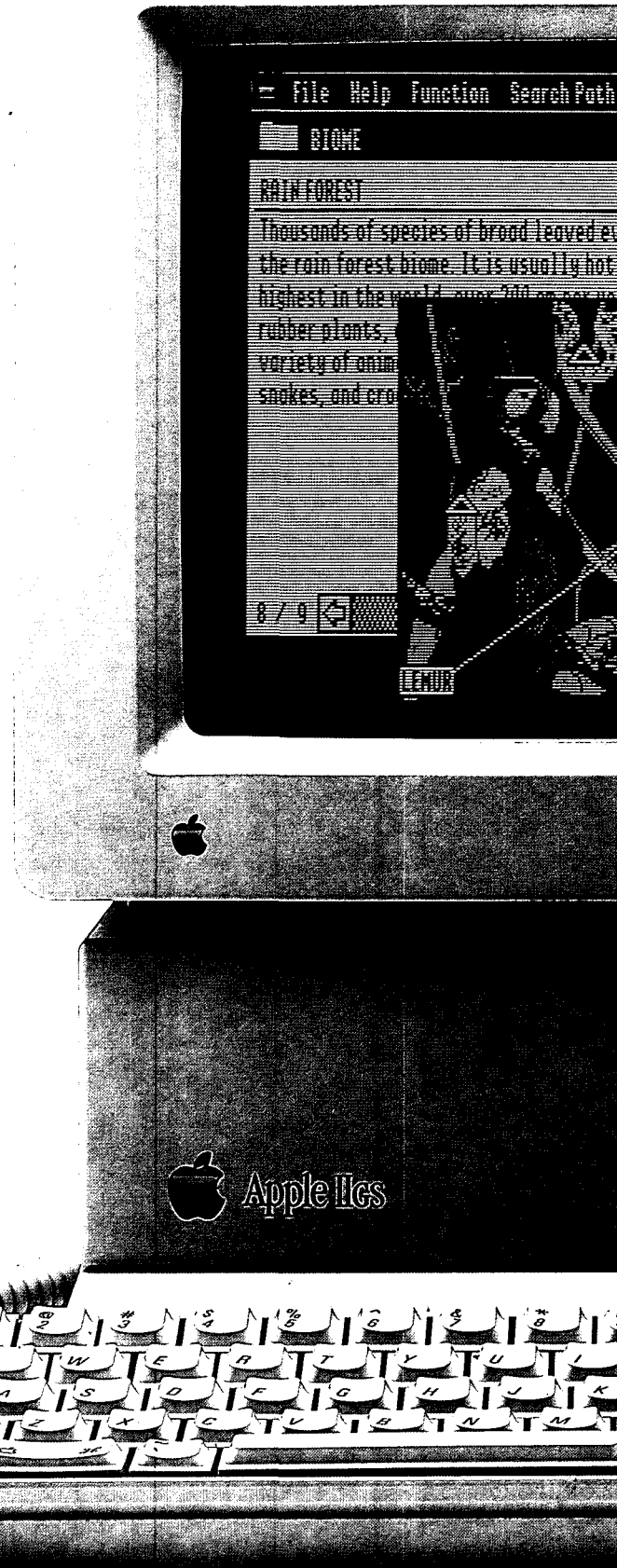


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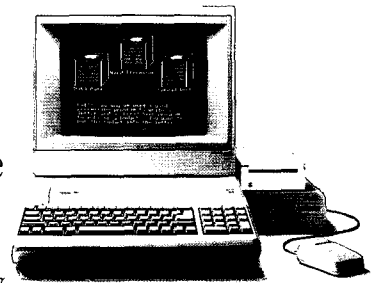
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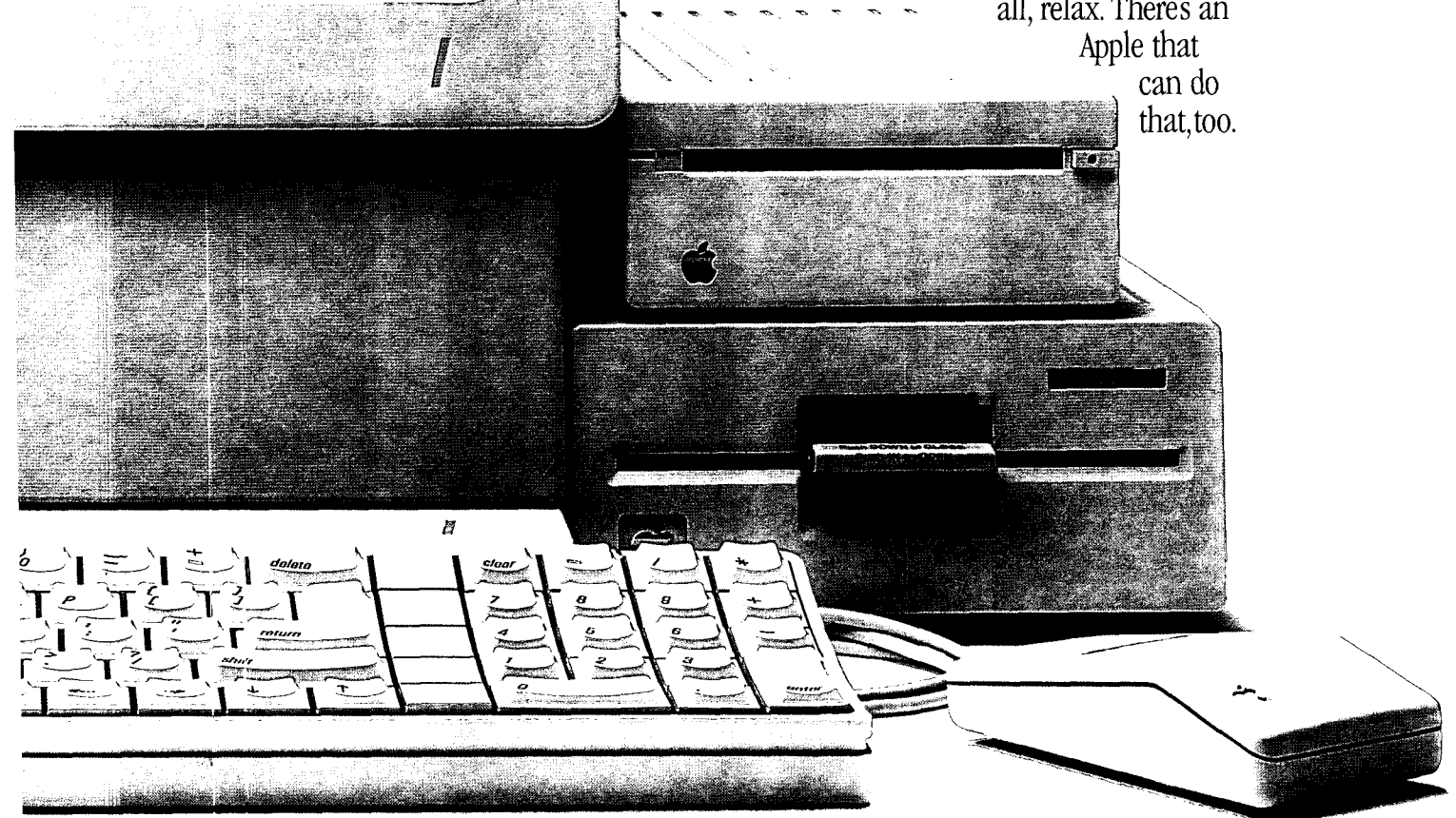
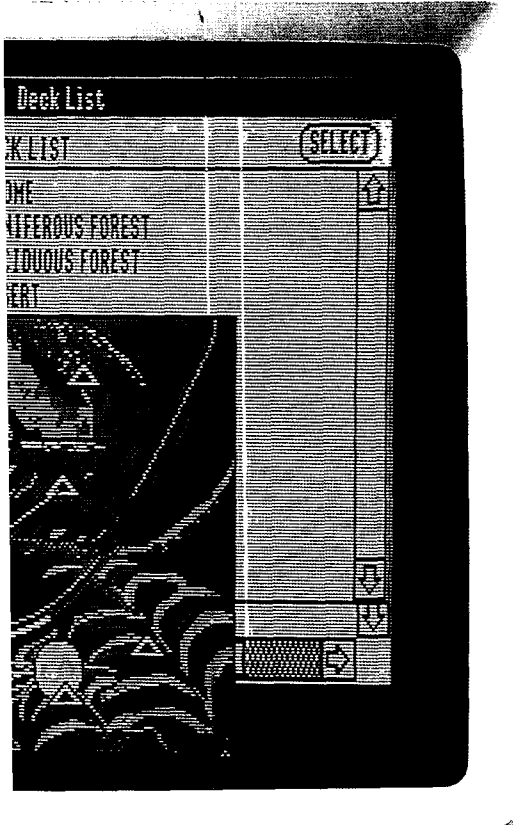
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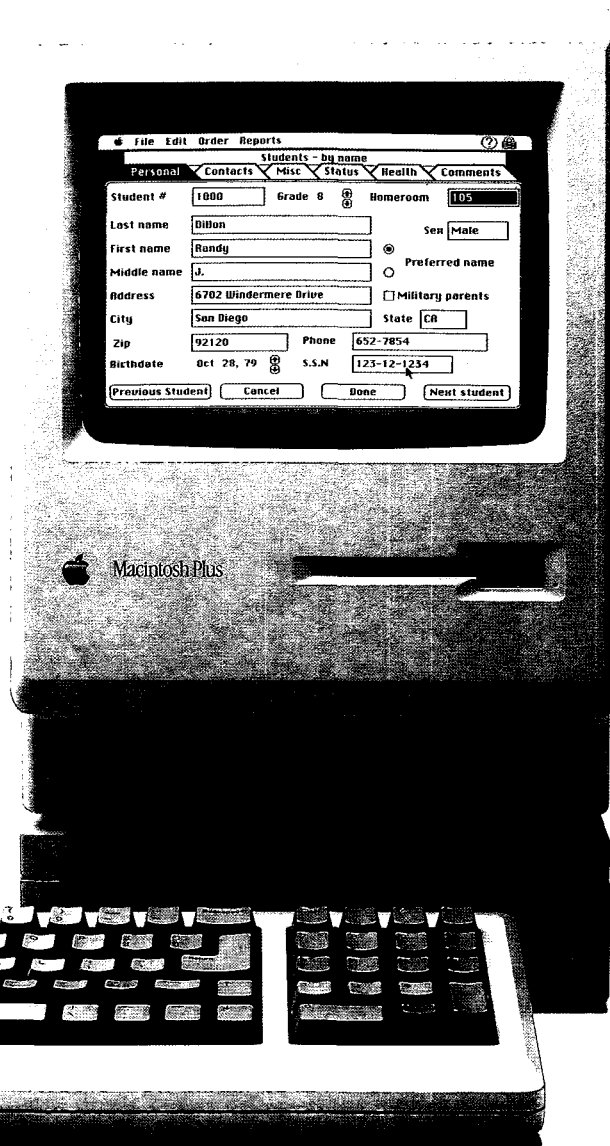
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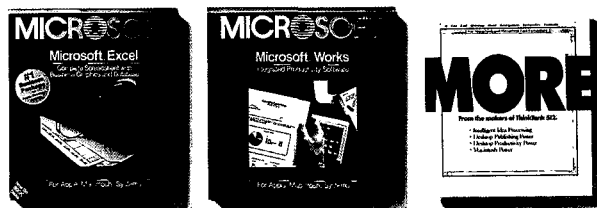
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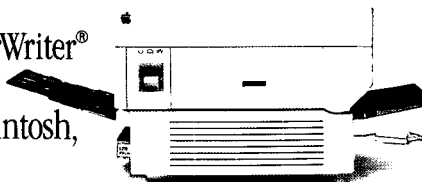


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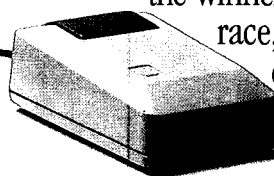
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A CLASH OF PERSONALITIES AND POLICIES

# Will Deukmejian freeze out Bill Honig?

By RICHARD ZEIGER

**S**tate schools chief Bill Honig has a problem. The state's governor, George Deukmejian, can't stand him.

And that clash of personalities, ambitions and policies is causing big problems for the state's public schools.

As the "town crier" for public education in California, Superintendent of Public Instruction Honig has waged a five-year battle for more money and educational reforms to revitalize a schools system that had gone noticeably downhill since the 1970s. Honig claims that these improvements are just now beginning to pay off with higher student test scores and better morale in the state's public schools.

But Honig's fight with Deukmejian over the 1987-88 budget came to a head over the use of \$1.1 billion in state revenue that the governor said exceeded the state's Gann spending limit (see story, page 446). The governor wanted all but \$400 million of that money returned to taxpayers, while Honig said it all legally could be spent on schools and other state programs. When the dust cleared, the schools took a cut in real spending power over last year's level, and Honig's own Department of Education budget was slashed 10 percent in the new fiscal year.

It's not the first time the two elected officials have clashed. There was a similar confrontation in 1983, the first year for each in his current position. Both argue that they won that dispute, and each claims credit for portions of SB 813, the landmark education reform-finance package that was signed into law by the governor.

But this time, the confrontation had a much different ending. There was no compromise, and the state's education budget suffered. If the governor's strategy of making Honig the fall guy pays off, Honig could find his influence as a public education official substan-

tially diminished. But if Deukmejian is wrong, and the public ends up backing Honig, Deukmejian could have created a gubernatorial rival where none existed.

The root of the clash lies in the personalities, and differing political goals, of Honig and Deukmejian. They are very different people.

The governor, at least on the surface, is low-key and analytical. But he is capable of holding a grudge and taking personal insult from remarks that others would consider part of the normal political process (see story, page 423). He personally benefited from the public school system, and he has repeatedly said that schools are his "number one spending priority." What's usually omitted from that comment, however, is that all of the governor's spending priorities take a back seat to his desire to maintain a balanced budget, observe what he says are the boundaries of the Gann spending limit, and maintain each year a "rainy day" reserve fund of about \$1 billion. Deukmejian says Honig has been untruthful about what he's done for public schools and the governor claims that Honig is using the issue to launch a campaign for governor in 1990.

Honig, in contrast, is intense. Tall and thin, with eyebrows that bob above his glasses, he delivers a constant stream of talk about education. Honig equates his crusade for the public schools to nothing less than an attempt to save the American way of life.

With a campaign fueled in large measure by his family's personal wealth, Honig came on the political scene in 1983 with a challenge to three-term Superintendent Wilson Riles. A lawyer who abandoned law to become a teacher in San Francisco's black ghetto and then a school superintendent in Marin County's affluent suburbs, Honig campaigned on a return to "traditional" education. He wants to challenge students with a demanding curriculum that emphasizes language skill, mathematics, history, science and foreign languages. He also believes that schools should be a source for "moral" instruction, the place where American values are transferred to a new generation. In addition, he believes schools should be held accountable for the kind of job they are doing, and he has instituted a "report card" system to measure progress at each school. He has tirelessly moved up and down the state, speaking about his reforms to any group that will have him. And he gets credit from many in the educational community for uniting its diverse elements around the need to change the way schools are run.

**H**is single-mindedness about education is only natural for the person who is the head of the schools system, and he complains that Deukmejian is treating him unfairly. It is the governor who has created the fight, making it a partisan battle because he knows he is wrong on the issue itself, Honig claims. The schools chief says he is dismayed by the personal nature of Deukmejian's attack on him.

"Look, I don't like some of the things he's done. But that's not a personal thing. I always thought we got along," said Honig.

Honig offers three explanations for Deukmejian's attitude.

First, Deukmejian just didn't like him personally. "He thought I was criticizing him in public, and he didn't like it. He'd just won a big election and he thought he didn't have to take it. But my argument to that is, 'Too bad. That's what democracy is all about.' If we can't argue about issues, then we aren't going to have a democracy."

Second, he believes the governor really thought Honig was planning to run for governor, and Deukmejian wanted to blunt the impact of the Honig attack by characterizing it as

partisan.

Finally, Honig offers the theory that the governor and his staff concocted the whole story about him running for governor "as a convenient foil for deflecting the argument about the school system because they knew it was a losing argument."

The administration disputes all of these explanations. It was Honig, they say, who started the fight by saying the governor did not care about education. Honig refused to recognize the fiscal realities of the state and refused to cooperate with efforts to make education spending more efficient, the governor's people maintain.

"What happens every single year, and I've been here 25 years, the education community comes here and they want the same programs that are in existence, they want a COLA (cost-of-living adjustment) on everything. They want to enrich every program, and they want new programs added to the pie," and are never willing to eliminate any program in order to have their priorities met, Deukmejian said in an interview.

**D**eukmejian said Honig "failed to provide that leadership, despite what he said he was going to do before he was first elected."

"At this point, he's really dealt himself out of the picture. He's conducted himself in a way that he has no influence in this office any more," Deukmejian said.

Peter Mehas, the governor's new education advisor, adds that "the people of California were being misled" by Honig's complaints about the budget.

In any case, the governor's campaign "was shrewd" and at least partially successful, Honig concedes. By making the issue partisan, Deukmejian was able to shore up his support in the Legislature for his budget decisions. In addition, the governor was able to drive significant cracks into the coalition that has been supporting educational financing and reforms. The Deukmejian attack put pressure on the business interests, which have generally supported Honig, to back away, since in a showdown business could not afford to alienate the governor. The governor also made it clear to educator groups that if they expected to cut any more deals on school financing, they would have to do it without Honig.

If Deukmejian perceived Honig as a political threat, he had some reason. Honig has been more outspoken on educational matters than have the heads of the other branches of the education system, and he has been establishing a grassroots organization at the school level to support his policies. Although Honig insists he has never been interested in running for governor, he now is careful to say that, if the governor keeps up his attacks on schools, he may be forced into such a contest.

But Honig says he prefers to view his clash with Deukmejian as one over policy, not over politics.

"There really is a difference of policy here. This is a policy debate being masked as a personal feud," said Honig. "What's really going on is two views of where this state should be going. His view is: We're doing what we need to do. He doesn't want to give that money to schools. He'd rather give it back as a rebate. Now my position is: Can we spend what's coming into the state and do it productively? Can we invest in the future, which is education? I think that we can."

That policy debate, Honig feels, will come to a head sometime next year when the public votes on changes in the state's Gann spending limit. Honig supports easing the formula that sets the limit while Deukmejian insists that, at least so far, the limit is working and no change is needed.

One thing is clear, the two statewide officials don't communicate well with each other. Honig claims the governor

never told him about the severity of the cuts he was planning in the budget, although the Deukmejian troops say this isn't so. And Deukmejian says he was surprised by the severity and unfairness of the Honig attack, although Honig maintains that the governor should have known he would speak out.

Whatever the reason, for the moment the governor has Honig on the defensive. He has demonstrated that he holds the better hand when it comes to budget fights, and he has driven a wedge into Honig's coalition backing more money for schools.

Diane Jacobs, president of the California School Boards Association, says flatly that "Bill Honig is becoming a liability for us." Even though Jacobs feels Honig's "facts are right" in the debate with the governor, because of the governor's enmity, "right now he's probably a liability for our schools."

Jacobs said that some elements in the education community are working toward making a separate peace with Deukmejian. This amounts to establishing a coalition for school finance that excludes Honig.

Not everyone in the education community is as adamant as Jacobs, but many are concerned.

"We've had some candid conversations with Bill about appropriate and inappropriate behavior with the governor," said Wesley Apker, executive director of the Association of California School Administrators. "There are certain rules of protocol ... and Bill violated those rules. He embarrassed the governor."

Apker, too, said that educators are seeking separate avenues for communication with Deukmejian, but he adds that his group is not yet ready to dismiss Honig.

"Bill has been talking about things that need to be said. And he's been more effective at it than any superintendent in a long time," added Apker.

Teacher groups have generally been more supportive of Honig.

"The bottom line is, I don't think you abandon someone for doing what you ask them to do," said Mary Bergan, lobbyist for the California Federation of Teachers.

But Bergan, too, says the two men have trouble talking to one another. "Bill's not a good listener, neither is the governor, but in different ways. The governor is a non-consulter. He just doesn't talk to enough people. Bill consults, but you have to say things over and over before he hears you."

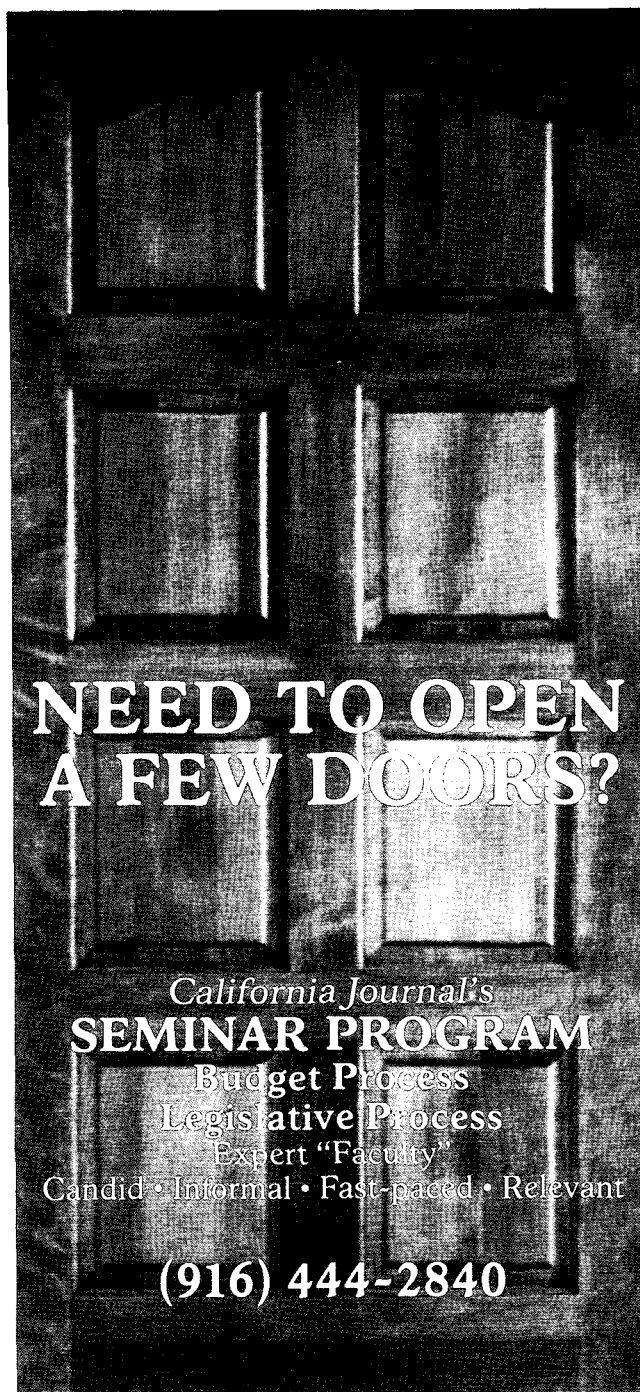
California Teachers Association political-affairs director Alice Huffman is more adamant that Honig is "absolutely not" a liability for the state's schools. "His purpose is to bring before the public the needs of education. I think he's done us a favor."

**W**hatever the roots of the conflicts, the governor, at this point, seems ready to change his tactics and start ignoring Honig. Last month he unveiled a new commission that will study the schools and prepare a report on how they are being run, and possibly to see if new money is needed. Honig was pointedly excluded from participating in the group and, to add insult to injury, Deukmejian gave a spot on the group to former Superintendent Wilson Riles.

Mehas says that the disputes with Honig are in the past. "When the budget ended, that battle ended," said Mehas. But he quickly adds that the governor sees no need to consult with Honig about educational matters.

Honig, ever the optimist about the prospects for the state's schools, believes he and the governor will eventually learn to work together.

"I'm not going away. Eventually, he'll realize that," said Honig. 🏠



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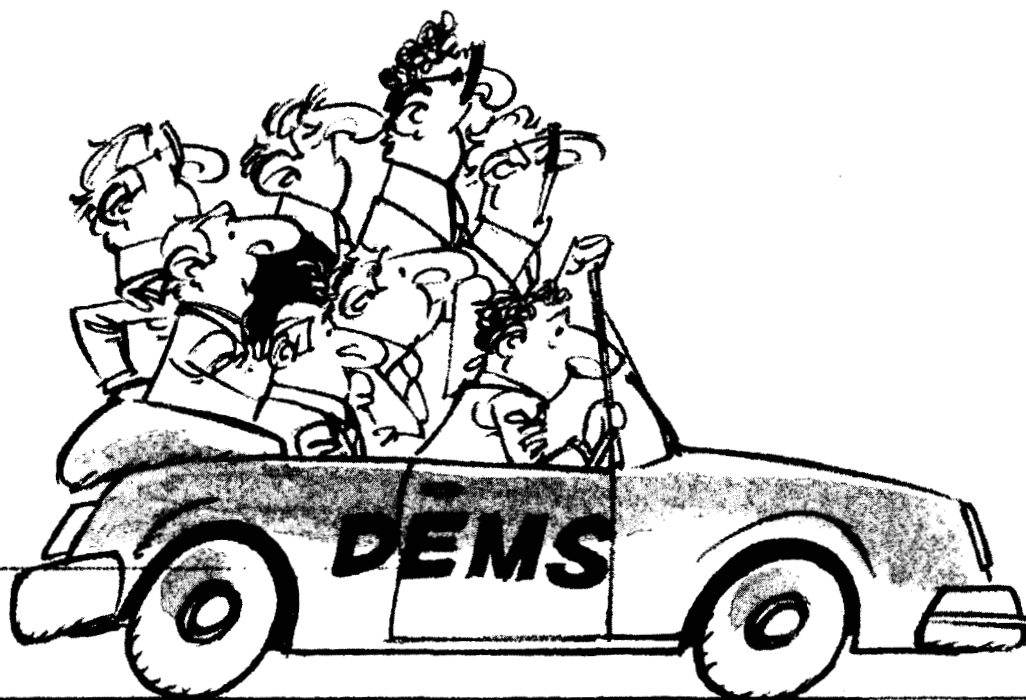
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| Sept. 18                                                                                                                                               | <b>ALL ABOUT THE<br/>GANN LIMIT</b>   | Sacramento |
| ...What reaching the limit can mean to state agencies, schools, and local governments; and what may result from efforts to change Prop. 4's provisions |                                       |            |
| Sept. 25                                                                                                                                               | <b>THE LEGISLATIVE<br/>PROCESS</b>    | Sacramento |
| Oct. 9                                                                                                                                                 | <b>BILL TRACKING AND<br/>ANALYSIS</b> | Sacramento |



DEMS, GOP COLLIDE OVER REBATE

# State budget hits the Gann limit

JAMES P. SWEENEY

**I**n 1987 the Legislature and Governor George Deukmejian added a few new steps to what has been branded the annual budget ballet, but this year's rendition served merely as the opening act in a high-stakes political drama scheduled to run through 1988.

Unlike previous years, the entire process was complicated by the Gann spending limit, which affected budget deliberations for the first time since voters overwhelmingly approved it as Proposition 4 back in 1979 (see "The Gann limit looms," *CJ*, March 1987). Democrats and state Superintendent of Public Instruction Bill Honig were forced to acknowledge the spending limit — and they don't like it.

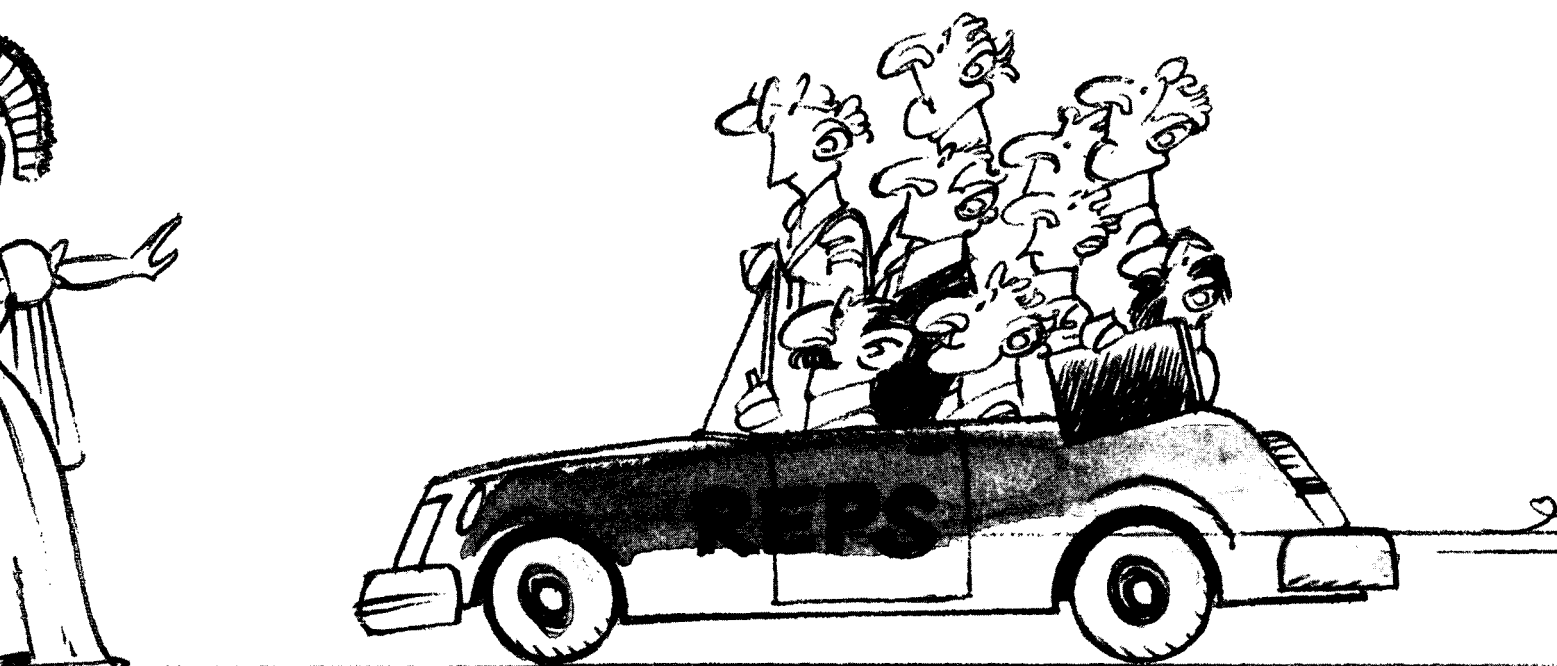
In his most ideological budget yet, Deukmejian taught Honig that tangling with the Iron Duke could be painful, challenged organized labor with the elimination of Cal-OSHA, further squeezed the \$5 billion Medi-Cal program and unilaterally set spending priorities while largely ignoring the Democrat-controlled Legislature.

*James P. Sweeney is a Capitol correspondent for Copley News Services.*

Although the 1987-88 budget was Deukmejian's fifth, Democratic leaders have yet to devise any strategy to force him to negotiate over the state's checkbook. In the meantime, the governor has become prolific with the blue pencil, liberally editing and rewriting budget language — something few governors dared try in the past.

All this brouhaha and rhetoric and squabbling involves only so-called discretionary funds, which are a small percentage of the budget. The bulk of the \$40.5 billion spending plan — the roughly 95 percent which supports the huge state bureaucracy — is set by law and changes little from year to year.

Overall, this year's budget provides the smallest annual increase — 3.8 percent — in Deukmejian's tenure and follows three consecutive years of double-digit growth. Even Deukmejian's first budget, which had to deal with a \$750 million deficit left over from Jerry Brown's administration, expanded by 6.3 percent. And the \$663 million Deukmejian lopped before signing the new budget proved to be his second lowest veto total, exceeding only the \$583 million he pared in 1985-86.



The major battleground this year involved an unexpected \$1.7 billion revenue windfall. The money was not anticipated when the governor submitted his original budget in January 1987 but began to show up in state coffers as Californians paid their state income taxes early and made other major financial decisions to take advantage of the old federal tax codes before they expired on December 31st.

The battle came over what to do with the additional revenue. According to the administration, the revenue pushed the state over its Gann limit by \$1.1 billion. Thus, only \$600 million of the \$1.7 billion windfall could be spent at all. Democrats and Honig didn't care for that interpretation, however. Honig insisted that the entire bundle be spent on education, and the public seemed to rally behind his position, putting Deukmejian on the defensive. The governor adroitly reclaimed the high ground with an offer that seemingly few could refuse — a rebate to individual taxpayers.

The Gann limit, Deukmejian insisted, required that the state return to taxpayers what it could not legally spend. No one argued with that. The dispute centered on how much could be spent. In between, both sides demonstrated ample willingness to skirt the Gann lid so long as it served their purposes. To wit, when Deukmejian unveiled his budget in January, it was \$39 billion strong and Department of Finance Director Jesse Huff said it was within \$80 million of the Gann threshold. Six months later the governor signed a \$40.5 billion budget that Huff said is \$45 million beneath the spending lid. Thus, a \$1.5 billion increase had pushed the state just \$35 million closer to its limit.

Anc. Deukmejian was willing to spend even more — \$400 million more — had the Legislature accepted his terms for rebating at least \$700 million. The \$400 million would have been allowed after the administration made certain "technical adjustments" in Gann limits of various school dis-

tricts. Democrats, on the other hand, wanted the entire \$1.1 billion for schools, rebating nothing to taxpayers. Honig offered to support a 50-50 split, taking only half for schools, but to no avail.

It was a rare opportunity for the governor and his Republican brethren to savor a position of strength in a legislative stand-off. Unless the Democrats acquiesced before midnight, June 30th (the end of the 1986-87 fiscal year), the \$400 million — more than half of which was earmarked for public education — could not be spent. The Gann limit dictates that monies not appropriated by that date go back to taxpayers.

**P**aradoxically, the impasse divided Assembly Democrats, while Senate Republicans, after holding out for more than a week, released the budget. In both cases, uneasy legislators likely recognized the looming danger of getting caught on the wrong side in what could be a spirited 1988 election year. In addition to the full Assembly, 10 of the Senate's 14 GOP members face re-election next year.

The more conservative Assembly Republican Caucus blocked the budget for 15 days after the June 15th constitutional deadline for sending it on to the governor. On July 1st, with the \$400 million safely ensconced in the surplus account, the Assembly Republicans dropped their boycott and voted for the budget en masse.

Meanwhile, the fate of the rebate is still undecided, with both sides preparing to hold it hostage to the 1988 elections. Democrats, coming off of an upset victory in a special Senate election (see "Cecil Green rolls to victory," *CJ*, July 1987) and sensing an about-face in their declining political fortunes, sacrificed the \$400 million for a shot at modifying the Gann limit and perhaps using it as one tool in a big year at the polls in 1988. Rival initiatives sponsored by Honig and a trio of conservative Republicans — Assemblymen Tom McClintock of



Thousand Oaks and Richard Mountjoy of Monrovia, and Senator Don Rogers of Bakersfield — also are pending for the June 1988 ballot. Although three Assembly Democrats have pitched alternatives for returning the surplus, and although McClintock, Mountjoy and Rogers have proposed an initiative to establish a mechanism to rebate the \$1.1 billion and all future surpluses, Senate President pro Tempore David Roberti, a Hollywood Democrat, has declared that no rebate plan will survive the Senate.

"A couple of months ago in the 33rd Senate District we made it clear where the Democrats stood," Roberti said the day Deukmejian signed the budget. "We stood for education, we stood for worker safety and we stood for improved health care ... We think the people are with us and we have no intention of changing." Roberti was referring to his party's upset victory in the election to replace former state Senator Paul Carpenter, elected last fall to the State Board of Equalization. Republican Assemblyman Wayne Grisham was expected to win that contest but was ambushed by Roberti's forces, and some observers claim Roberti and his candidate, Cecil Green, were helped by the budget squabble. Roberti claimed the election served as a referendum on the governor's conservative agenda, much of it embodied in the budget.

"They went back to the grass roots. They went back to the issues," says Senator John Seymour, an Anaheim Republican who walked precincts for Grisham. "I will tell you that as hard as we Republicans tried to build a compelling need for Republicans to vote in the special election, which historically they do, we failed," said Seymour. "The Democrats — it was easy for them to build a compelling need, and they built it not only with unions, they built it with teachers' unions on the issue of education spending and they built it with senior citizens on the issue of Medi-Cal."

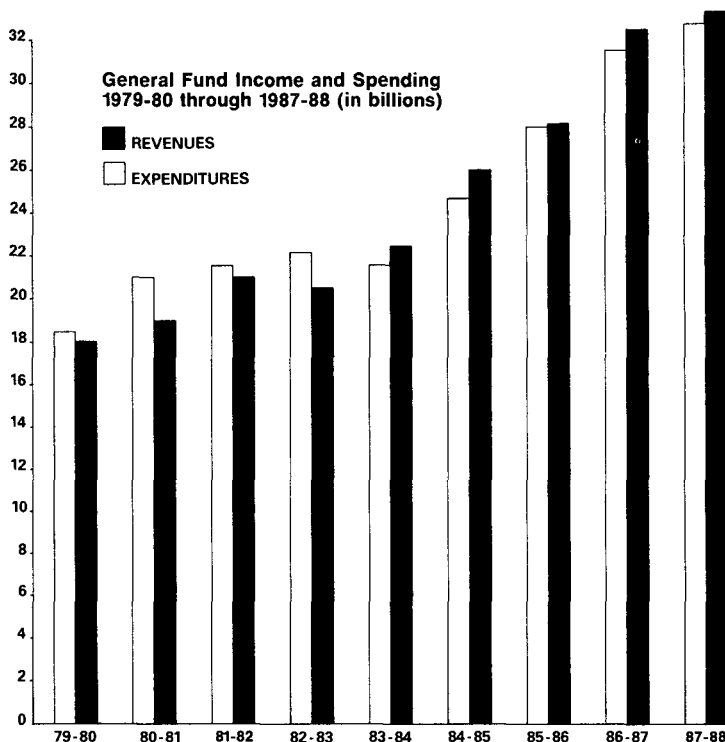
Roberti already has started laying the groundwork for 1988, forcing override votes on the vetoed Cal-OSHA funding and legislation to give schools the original \$700 million surplus. Deukmejian has never been overridden and Roberti knew he didn't have the votes, but the roll calls figure to turn up on the campaign trail next year.

To achieve their greater goal, Democrats appear prepared to embrace the full \$1.1 billion rebate in exchange for loosening the Gann lid. Honig's initiative would do just that,

ignoring the existing surplus while proposing modifications to the formula from which Gann limits are determined.

The existing formula is based on population growth and increases in the Consumer Price Index. Honig would add personal income growth to the formula and require future Gann limit calculations to measure population growth and the CPI or personal income, whichever has increased the most. The state also would be allowed to factor in student population, which is climbing faster than the state's population.

Democrats also have been emboldened by a recent *California Poll* that found growing public sentiment for increased government spending, particularly among local governments and schools. The state can transfer all of its Gann excess to local agencies and school districts, to the extent they



are still within their Gann limits. Moreover, any relaxing of Gann, Honig and other proponents say, will not increase taxes but merely allow the state to spend revenues already pouring in.

The \$400 million added to the rebate helped pad Republicans' position in the political battle. Although opinion polls had shown the public ambivalent about a rebate averaging about \$50, at \$1.1 million the ante has grown to as much as \$150 for singles and \$300 for couples. At some level, and Republicans are betting \$300 is more than enough, taxpayers undoubtedly will forsake schools and any other perceived public needs.

This year's bitter budget fight was the first setback for Honig in almost five years of intermittent squabbling with the administration over K-12 funding. A few years ago, Honig successfully marshaled business leaders and Republican legislators to persuade a reluctant Deukmejian to fill many of Honig's budget requests during the first two years of the vaunted education-reform movement. At one point, Honig says, Deukmejian gave in only after seven Assembly Republicans warned the governor he faced a veto override.

This year, when Deukmejian's January budget offered \$600 million less than what Honig estimated was necessary just to sustain existing programs and the reform drive, he charged Deukmejian with abandoning his commitment to education. An infuriated Deukmejian responded with a pointedly personal attack, portraying the animated, energetic schools chief as a demagogue positioning himself for a 1990 gubernatorial bid — a charge Honig repeatedly denied.

Deukmejian says he has been forced by Honig and Democratic legislators to act as the heavy, every year denying hundreds of funding appeals to satisfy an insatiable education system. Now, after an unprecedented increase of more than \$6 billion over four years, Honig was publicly questioning his commitment to California's kids.

The price Honig paid for defeat was steep. Schools remain \$460 million short of a status quo budget, he says, and the governor decided to take a second look at Honig's \$80 million department budget. Deukmejian lopped \$8.6 million, more than 10 percent, including funds for travel, computers and several offices involved in the reform movement.

Of the \$8.6 million vetoed, \$6.1 million are federal funds. Only \$2.3 million represented a state savings. Deukmejian had included all of the money in his budget as late as May. The governor's staff maintains the cuts removed excessive administrative spending.

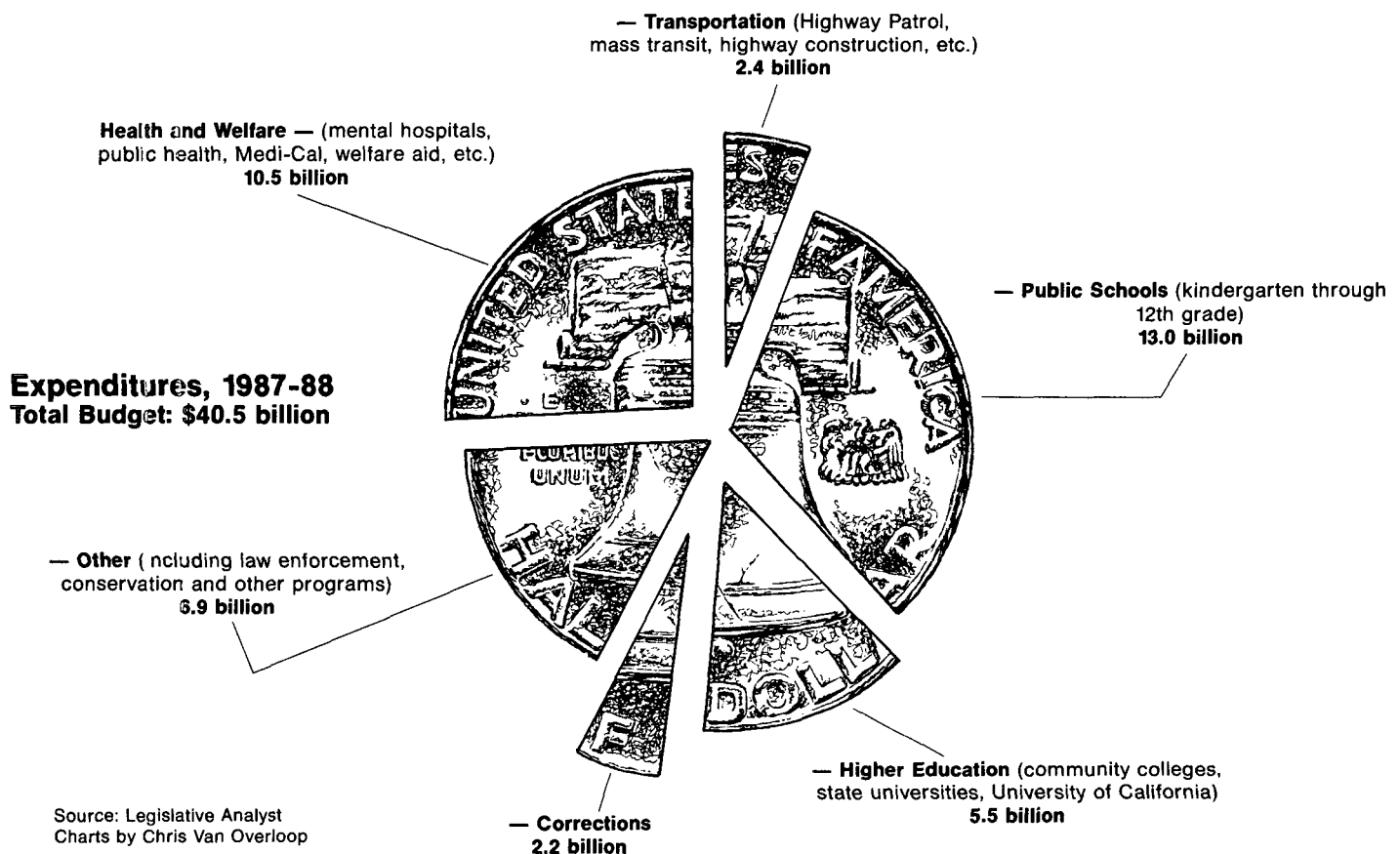
"It's a vendetta," Honig says. "Nobody cuts a department 10 percent, the only one around, without it smacking of a hit."

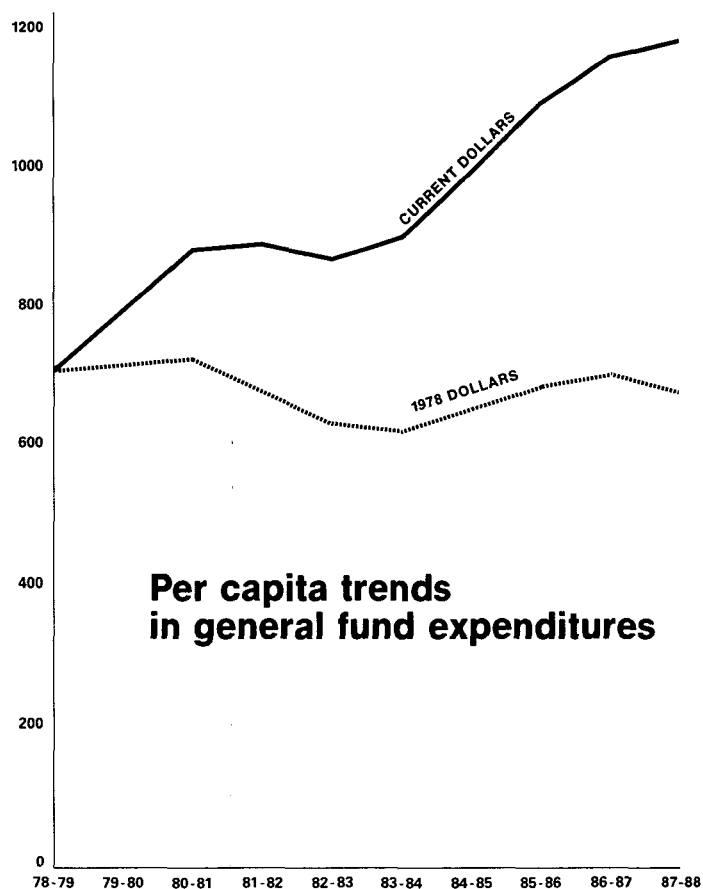
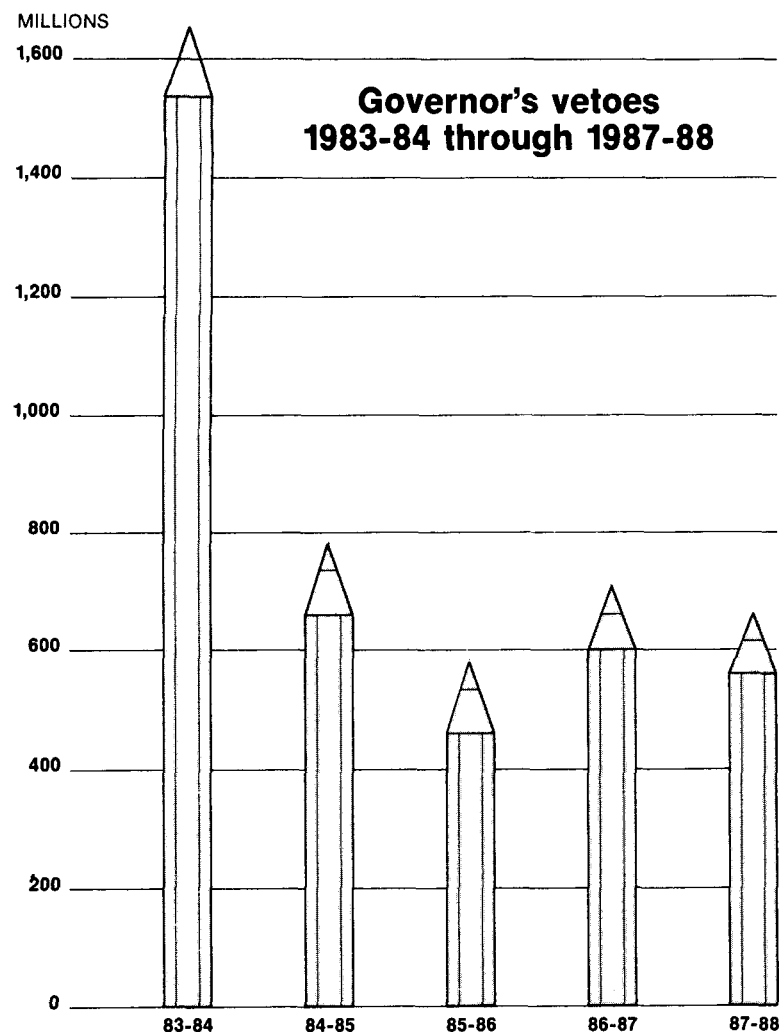
Deukmejian has since added insult to injury by creating a special 15-member commission that has been asked to review the state's sizable education outlay. Honig was left off the commission while the man he defeated in 1982 — former Superintendent Wilson Riles — was named. The report is due December 1st. Depending on its findings, the commission could provide the governor and Honig with a gracious way out of the controversy or fuel Deukmejian's momentum.

On a smaller scale, the forebodings were equally intense as the governor carried out his January pledge to scuttle Cal-OSHA and let the federal OSHA program, already the keeper of worker safety in more than 25 other states, move into California. Labor screamed that federal OSHA protections were no substitute for California's program, which has more extensive regulations and requires a quicker response to complaints of serious violations.

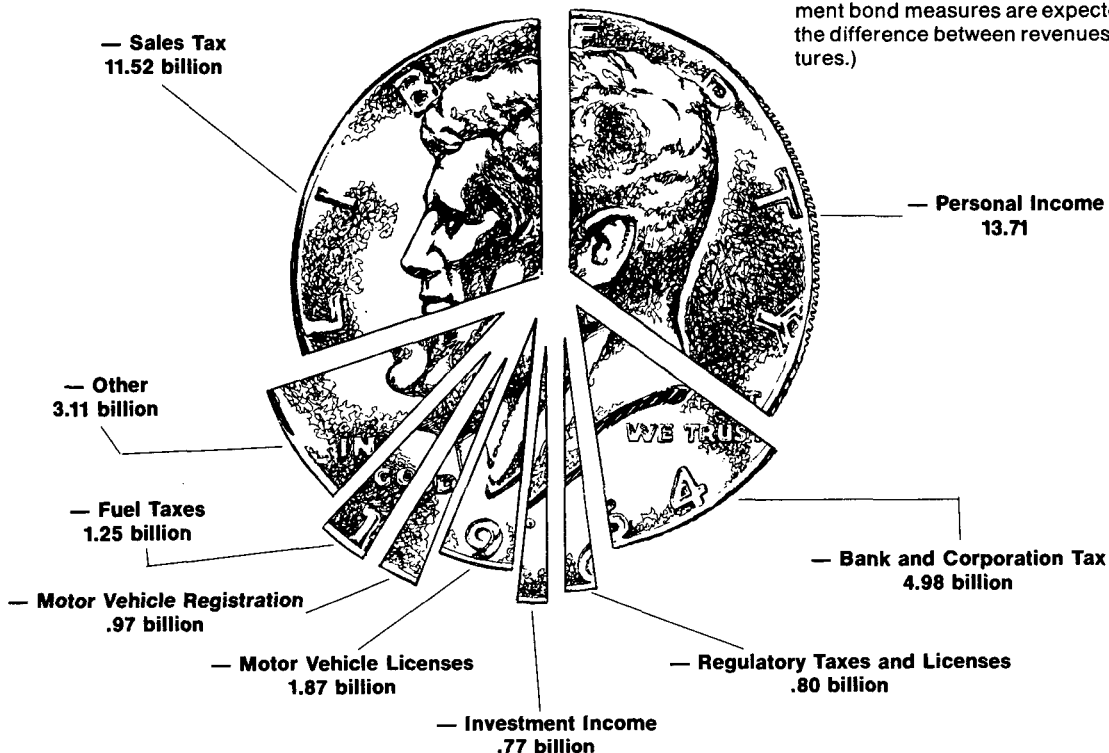
Although Deukmejian was almost uniformly opposed by labor organizations last year, it seemed politically foolish to take on California's 2.2 million union workers to save \$8 million, a fly-speck in the multibillion dollar budget.

The administration denied it, but Democrats and some Republicans are convinced Deukmejian's Industrial Rela-





**Revenues, 1987-88**  
Total Expected Income,  
general and special fund inclusive: 38.98 billion



tions director, Ron Rinaldi, hoped to trade Cal-OSHA for labor concessions in the troubled workers' compensation program.

An employer-financed insurance plan to compensate workers injured on the job, the state's workers' comp rates are among the highest in the nation while its benefits are among the lowest. Negotiations on a scheme to reduce employer rates and raise benefits broke down at the end of the 1986 session. Labor officials say Rinaldi proposed an even less-acceptable proposal this Spring. Regardless, they refused to discuss any workers' compensation reforms in exchange for Cal-OSHA.

Deukmejian scrapped Cal-OSHA by simply deleting its funding although the statutory authority for the program remains. When Democratic budget writers eliminated the Cal-OSHA line item and collapsed its funding into the larger Industrial Relations budget, Deukmejian simply added language to carve out the Cal-OSHA appropriation.

Depending on the outcome of three lawsuits challenging the Cal-OSHA decision, labor leaders likewise are preparing an initiative, tentatively aimed at the November 1988 ballot, to restore the program.

The balance of the perennial, six-month budget ordeals varied little from the script that has been followed since Deukmejian took office, ironically the year after former Democratic Governor Jerry Brown signed the Legislature's budget intact. Deukmejian continues to refuse to meet with either Senator Alfred Alquist or Assemblyman John Vasconcellos, a pair of San Jose Democrats who annually carry the budget bill, to negotiate spending priorities.

Deukmejian, a frustrated Alquist says, "seems to have a dictatorial attitude and total contempt for the Legislature. 'It's up to me, fellas, I'll tell you what to do.' Well, it doesn't work

that way, not in our system."

So far it has.

Assembly Democrats attempted to focus the glare of public attention on the governor's budget by moving subcommittee hearings on education funding, Cal-OSHA and health-care spending before unique committee-of-the-whole sessions of the full house. The Legislature's spending plan, like last year's, also gave Deukmejian most of the \$1 billion reserve that has become a symbol of his administration.

But Deukmejian budged no more than in the past, deleting most of the additional spending for education and health and welfare programs added by the Legislature.

"He rounded up the usual bunch of suspects, shot 'em in the head, just like we know he's going to," says Geoffrey Long, an aide to Vasconcellos.

**D**emocrats didn't give Deukmejian everything he wanted either, killing a proposal to give counties \$477 million in unrestricted aid by repealing a package of state mandates primarily involving health care. In addition, \$38 million was trimmed from the administration's prison budget and another \$42 million from the workfare program.

"I don't think that since Deukmejian has been governor the Legislature has at all adjusted in any fashion," says another Democratic staff member. "They use the traditional budget process and, as a result, they've gotten their butts kicked. They've not won a single budget confrontation."

Says Alquist: "It's a little bit more difficult to deal with a governor who doesn't come up with any new proposals of his own that he's willing to negotiate for. Both Jerry Brown and Ronald Reagan always had some constructive proposals that they wanted. This man hasn't offered anything, except to build new prisons." 🏠

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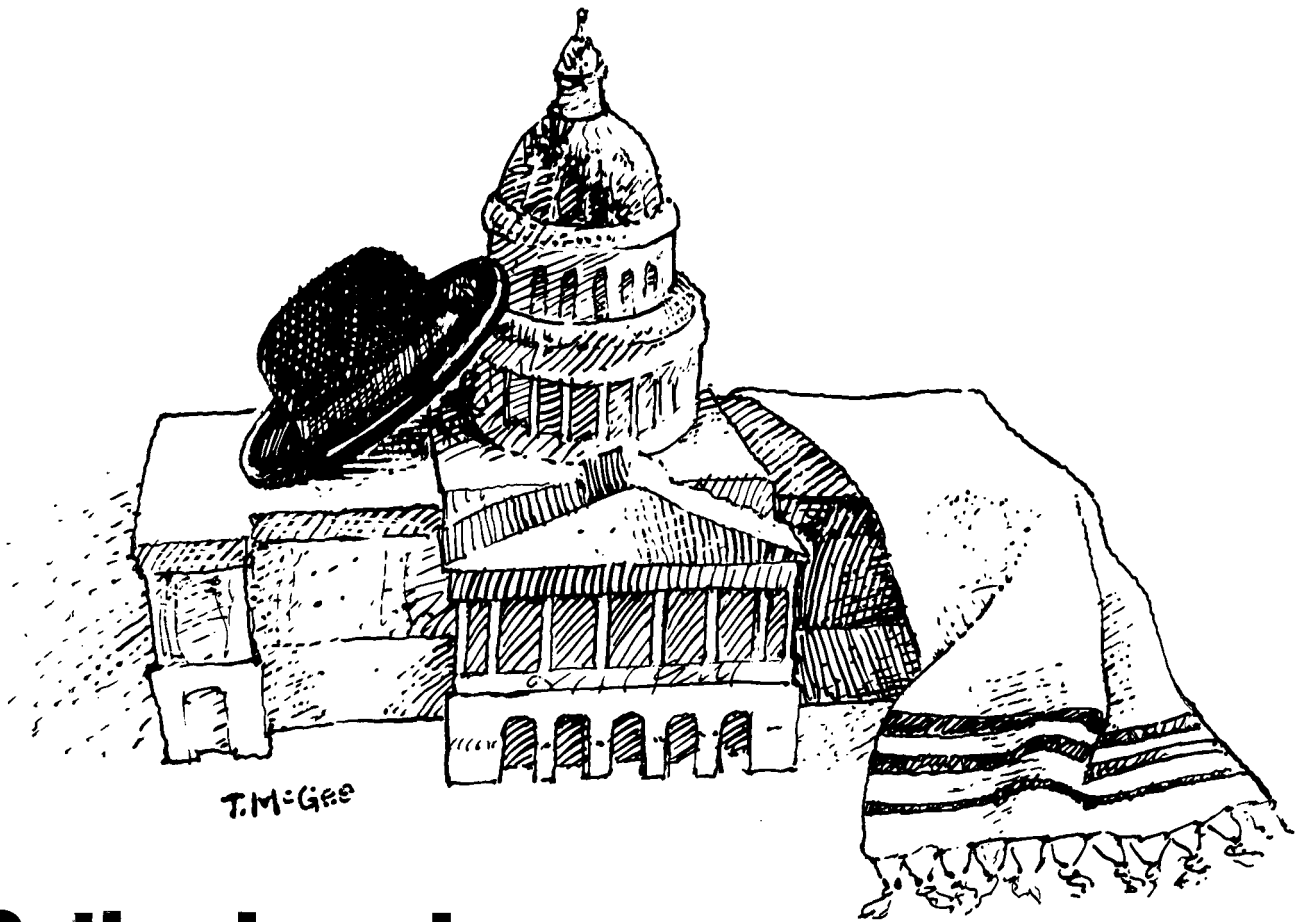
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# Orthodox Jews flex political muscle

By TOM WALDMAN

**T**he State Capitol's usual swirl of activity virtually came to a halt the day members of Agudath Israel first walked through its halls. Legislators stopped and stared as eight men wearing dark suits and hats and sporting beards — the traditional garb of orthodox Jews — strolled by. No one could tell if they were there for religious or political reasons.

From that inauspicious debut only three years ago, Agudath Israel, a non-profit organization that sponsors religious, educational and social projects within the orthodox Jewish community, has become the Sacramento equivalent of a smash hit — five of its bills have been approved by the Legislature.

The political awakening of orthodox Jews across the country has not gone unnoticed. Pat Buchanan, the ultra-conservative former aide to Presidents Nixon and Reagan, told the California Republican Party convention in February that it is time for the faithful to recruit orthodox Jews and other participants in the "religious revival." Buchanan is not the first Republican to optimistically link orthodox Jews to fun-

damentalist Christians.

Still, if legislative victories and belief in traditional values suggest such comparisons, the members of Agudath Israel don't mind. "We have given ourselves an identity in the outside world," said Rabbi Chaim Schnur, director of Agudath Israel. That accomplishment — brought about by hard work, long meetings and many trips to Sacramento — means the 90,000 orthodox Jews in the state (as estimated by Agudath Israel) now have a distinct voice. For the first time, they are finding a niche in California politics.

It took the infusion of young Jewish couples — orthodox yuppies — along with recent arrivals from the East Coast and Midwest to cause a change. Prior to their emergence, the orthodox Jewish community of Los Angeles, which today numbers about 60,000 people, consisted mostly of refugees concerned about putting their spiritual lives and economic houses in order. They were much too preoccupied to think about organizing politically.

The community's new blood — young, affluent, educated — did not have the same constraints. Furthermore, they had grown up at a time when the overall Jewish community showed no reluctance to push its political interests, especially regarding Israel. To the younger generation of orthodox Jews, politics offered a way to guarantee those particular reli-

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*Tom Waldman is a freelance writer from North Hollywood who writes frequently on affairs of the Jewish community and politics.*

gious freedoms — such as observing the Sabbath on Saturday — that a predominantly Christian nation did not always recognize. Besides, the old neighborhood had grown up by the 1980s. “When the basic factors of community life were in place, we looked around to see what else we could do,” said Rabbi Schnur.

He, along with founding members Stanley Treitel and Irving Lebovics, picked a good time to launch Agudath Israel. Fundamentalist Christians in great numbers had been cross-



Schnur



Treitel

ing the line dividing religion and politics ever since Ronald Reagan entered the White House. These Christians counted many influential politicians among their friends: H.L. Richardson in California, Jesse Helms in North Carolina and, of course, Reagan. Elected officials had come to regard religious groups as an important base of support.

But Agudath Israel needed more than a favorable climate. It also needed an agenda, experience and advice. A bit of money wouldn't hurt either. Like many Jewish organizations in Los Angeles, Agudath Israel looked to the East Coast.

Orthodox Jews have been involved in New York politics for so long that no one blinks when men wearing yarmulkes (skullcaps) come to Albany looking for help. Agudath Israel has been active in New York for 65 years, long enough to have run successful campaigns for seats on the New York City Council and to have persuaded the Legislature to spend \$25 million per year on yeshivas — seminaries for the training of orthodox rabbis. No wonder that the New Yorkers who came west were eager to start a local chapter of Agudath Israel. “They asked themselves why there was not the same sophistication here as in New York,” said Rabbi Schnur.

When the New York office talked, Los Angeles listened. The masters provided the upstarts with rudimentary lessons of lobbying: knock on doors, listen and use all the resources at your command. J.J. Kaplan, a senior consultant to the Senate Rules Committee and an aide to Senate President pro Tempore David Roberti, likened much of Agudath Israel's technique to “precinct walking in Sacramento.”

To their delight, Agudath Israel's leaders discovered very early that the larger community provided a useful network of supporters. Attorneys and doctors offered their expertise in the drafting of legislation; even more important, rabbis throughout the state made themselves available as unofficial lobbyists. They placed personal telephone calls to local legislators asking for support on bills of interest to orthodox Jews. Politicians found their arguments hard to resist. “Most members of the Legislature respond in a positive way to members of the clergy,” said Kaplan.

Agudath Israel's leadership exercised the utmost care in assembling the organization's initial agenda. The more con-

servative platform — support for tuition tax-credits, state aid to religious institutions and opposition to the availability of abortion on demand — would have to wait. These positions are an anathema to most mainstream Jews and Democrats — two groups the fledgling organization could not afford to alienate right off the bat. “They had to learn what could be pushed and what couldn't,” said Democratic Assemblyman Tom Hayden of Santa Monica.

When eight members of Agudath Israel made the first trip to Sacramento, they confused many people. “For the most part, I don't know if non-Jewish legislators recognized the differences between reform, conservative and orthodox (Jews),” said Assemblyman Richard Katz, a Democrat from the San Fernando Valley. Rabbi Schnur knew his group caused some heads to turn. “When we first started, it shocked them to see our physical presence,” he recalled. Undaunted, the members of Agudath Israel went about unveiling their moderate agenda. They attended a luncheon with David Roberti and met with Assemblyman Mike Roos, then Assembly majority leader. “I don't know that we had a lot of awkward moments in the beginning,” said Lebovics.

Now that introductions had been made, Agudath Israel needed to find some willing political friends. At that point, New York became less important. The Californians would have to cultivate their own contacts. Enter Stanley Treitel, a founding member of the organization and the executive director of the United Community and Housing Development Corporation. Through his work, Treitel had come to know a few politicians. He had no reservations about asking for support.

Treitel went to Tom Hayden, not exactly one of the Legislature's passive members. It was an intriguing situation; a group that defended traditional values attempting to forge an alliance with a man whom conservatives had long regarded as public enemy number one in California. Both parties noted the irony. But Treitel and Schnur presented their case in a way that left the assemblyman very impressed. They asked him to carry two bills that guaranteed the rights of employees and students who observed the Sabbath on Saturday. The issue, they explained to Hayden, was one of civil rights. That clinched it for Hayden.

**N**ot all orthodox Jews welcomed this coalition. The many landlords in the community resented Hayden for his strong support of rent control. Others had problems with his liberalism. Schnur said that frankly some people thought Agudath Israel was “nuts” to go to Hayden. But it worked. With Hayden's backing, both measures sailed through the Legislature in 1985.

The grateful members of Agudath Israel honored Hayden as “Legislator of the Year” at a banquet in Spring 1986. He continues to receive support, financial or otherwise, from the group's backers. Schnur even wrote a letter to *The Wall Street Journal* a few months ago blasting an article that criticized Hayden.

Other politicians became early supporters of Agudath Israel, principally Roberti, Assemblyman Katz, state Senator Herschel Rosenthal and state Senator Alan Robbins. As Jews, Katz, Rosenthal and Robbins recognized the novelty of orthodox Jews becoming active in state politics. As Democrats, they knew that not all of Agudath Israel's agenda would necessarily be to their liking. “There are some issues that we could agree on, more that we could not,” said Katz.

The Legislature has approved a measure sponsored by Rosenthal and Robbins that prohibits coroners from conducting post-mortem procedures on people who had signed “certificates of religious belief” while they were living. Jewish

law states that the body belongs to God, not man, and that a person has to be buried intact. This bill required some compromises, due to objections raised by coroners. The New York office urged California to hold fast or give up the fight. That the newer chapter disregarded the advice and made concessions indicated a coming of age.

Recently, Agudath Israel members courted another Democrat, state Senator Diane Watson, whose district includes Hancock Park — a neighborhood where growing numbers of orthodox Jews have opted to live. Treitel said the meeting with Watson went very well — she even asked him to assist in an anti-graffiti project. If the relationship blossoms, maybe the two parties can help restore the Black-Jewish coalition in Los Angeles which fell apart after the 1985 visit of Black Muslim Minister Louis Farrakhan.

Since there are few Republican legislators in the Los Angeles area, Agudath Israel has not yet developed many ties with the GOP. It did get Assemblyman Bill Filante, a Jewish Republican from San Rafael, to carry a bill that dealt with mezuzahs — religious ornaments orthodox Jews attach to doorposts in their homes. It failed because a consensus could not be reached in the Jewish community.

More Republicans will be approached when Agudath Israel takes its conservative agenda out of storage. There are signs this has already started to happen. A measure calling for tuition tax-credits by Assemblyman Tom McClintock, a Republican from Ventura, has the backing of Catholics, Baptists and Agudath Israel. This is precisely the coalition that Republicans dream about, one they would love to put together for the 1990s. Their hopes are raised when orthodox Jews get behind religious and family-oriented issues. "It's important for legislators to know there are Jews in favor of tuition tax-credits," said Lebovics.

The point is well-taken; most mainstream Jews strictly observe the separation of religion and state. They are accustomed to challenging the Christian right on this question — not orthodox Jews. When Agudath Israel was formed in California, David Nagler, executive director of the Jewish Public Affairs Committee (J-PAC) of California — lobbying arm for the Jewish federations — wondered who legislators would believe spoke for the Jewish people.

But time has eradicated such fears. According to Nagler, Sacramento is big enough for at least two Jewish groups. Agudath Israel has freed J-PAC to pursue its broad agenda — which includes funding for public schools and care for the elderly — without being mistaken as an organization with strictly parochial interests. "It was tough for legislators to view J-PAC as more than a group of Jews practicing Judaism," said Nagler.

The political differences between orthodox and mainstream Jews are evident on election days, when the more religious Jews are apt to vote for conservative candidates. As Filante noted, "probably on a percentage basis" orthodox Jews vote Republican more than the other members of the Jewish community. The GOP's positions on family issues are very important to orthodox Jews. Because of this, and his anti-crime, pro-death penalty stance, Governor George Deukmejian enjoys enormous popularity with orthodox Jewish voters.

But Agudath Israel's political philosophy is not only a ringing endorsement of right-wing values. There is ample evidence of this in the 1987 edition of the group's Position Paper on Public Policy Issues and National Legislative Agenda, which comes out of New York. For example: "In speaking out on social and moral issues, Agudath Israel has maintained that government has an essential role to play in ensuring that *the needs of the needy* (sic) be met. As important as the ob-

jective of a balanced budget may be, the rush to fiscal solvency must not trample upon society's downtrodden: the homeless, the hungry, the disabled, the unemployed, the sick, the elderly. Government programs directed at improving the lives of the poor should be maintained even in this era of fiscal belt-tightening." Many Republicans today don't share these views.

Ever since the New Deal, Jews have voted overwhelmingly Democratic. This 50-year association, which has survived such traumas as the 1984 presidential campaign of Jesse Jackson, remains solid, even for orthodox Jews. "There might be more issues we agree with Republicans on, but on a personal level, we are more comfortable with Democrats," noted Rabbi Schnur.

This does not preclude supporting Republicans. Both Schnur and Treitel said that U.S. Senator Pete Wilson, who is up for re-election next year, has many friends in the orthodox Jewish community because he has an excellent record on Israel. They expect Wilson to receive a significant number of contributions from the community.

By asserting themselves politically, orthodox Jews have shattered the notion that the state's Jewish community speaks with one voice. "We have educated legislators that the life of an orthodox Jew is different from the Jewish family down the street," said Rabbi Schnur.

Next year, when presidential candidates from both parties come through Los Angeles, they will undoubtedly make their way to orthodox Jewish neighborhoods — a practice that has prevailed for years in New York. Agudath Israel has played the key role in bringing the Los Angeles orthodox Jewish community into politics. The oldest branch of Judaism is the Jewish community's newest power in Sacramento. 🏴

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## THE CALIFORNIA LOTTERY

# Never have so many gathered so much from so few

By STEVE GEISSINGER

**T**he news is finally out: The California Lottery's own long-awaited demographic survey of players shows state-run gambling is far from everybody's game; that it is, as critics predicted, heavily fueled by a small corps of high-volume players. If you haven't read this news before, it's understandable. You're among the victims of what observers have called one of the slickest examples of news management by state government in recent times.

When the Lottery was launched back in October 1985, it was as though the state of California was marketing a new movie star or wine cooler. Bureaucrats-turned-salesmen launched the game amid Hollywood-like hoopla, polished its image with a \$20 million-plus annual budget for advertising and public relations, and lauded the game as fun, profitable for players and important for all adults because it benefits public education.

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*Steve Geissinger is a Capitol correspondent for the Associated Press in Sacramento.*

Keepers of the only state agency which exists just to sell something easily countered an early outcry from a handful of nay-sayers who preached that the Lottery would be a game for the few, not the many; that it would lure some minorities and poor people into gambling money they didn't have.

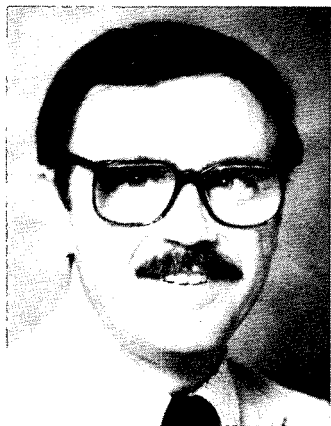
Lottery officials, tirelessly fashioning the image they admit is all-important to sales, also dismissed the early studies of players by independent pollsters and news organizations that first indicated the games were not really what was portrayed in slick TV commercials. Then-Lottery Director Mark Michalko argued that the polls were premature or slanted negatively, and he pledged that an upcoming independent demographic survey of players, to be conducted for the Lottery at state expense, would address the issue of who played the games and how often.

But the survey, which the 1984 Lottery-authorizing initiative required after the six-month anniversary of sales in April 1986, was slow in coming. Michalko was often asked when it would be completed, and he later said it was delayed so that information could be included on the computerized Lotto 6-

49, which was not launched until October 1986.

Maritz Market Research of Los Angeles finally was commissioned to conduct the poll with 2545 telephone and personal interviews statewide from December 6 to December 21, 1986. About two months later, on the afternoon of February 11, 1987, a five-page news release, summarizing the Lottery's version of findings, landed in the drop boxes of the Capitol press corps.

"California Lottery players generally mirror the state's population," the release began, focusing largely on all those



Taylor



Michalko

who had ever played the Lottery — including one-time players. Added Michalko, "The Maritz study tells us what we have suspected for some time: that Lottery players closely match the demographic profile of the adult population of the state. This survey clearly shows the Lottery is a product for the average adult Californian."

Newspapers throughout the state printed it just that way, with headlines such as, "Lottery Draws Cross Section: Players Generally Reflect State Population Mix, Survey Says." Some newspapers ran the story on page one.

In the following days, reporters asked Lottery officials to provide in-depth information on heavy players, which it turned out had been left out of the pollster's summary of findings to the Lottery. However, officials came up with a few more statistics on frequency of play, which they said were compiled from the raw data.

In interviews with the Associated Press, independent pollster Mervin Field, who conducts the *California Poll*, and Steve Teichner, who puts out the *Teichner & Associates Poll*, said the Lottery's findings had done little to address the most controversial aspect of the games — detailed information on volume of play and frequency of participation by various types of people.

"You can understand the Lottery Commission's views. They want this to be every man's activity. And anything that demonstrates that it's not every man's activity" would be sensitive, said Field, who conducted a poll in November 1985 that showed just 18 percent of all adults accounted for more than 71 percent of the Lottery's dollar volume. "From their standpoint politically, that's not an issue that they'd want to address. They probably subordinated it."

It took several more weeks before detailed findings regarding heavy players were pried out of Lottery officials. Allen Edel, the Lottery's marketing manager who oversaw preparation of the poll, provided data drawn from raw statistics indicating for the first time that a small percentage of heavy gamblers had purchased about half the 3.2 billion Lottery tickets sold.

The new information didn't earn the same level of atten-

tion as did the original story, however. Although one paper bannered the story across the top of page one, most major newspapers buried a shortened version on inside pages. Some just ignored it.

What shaped the Lottery's original disclosure on the poll — the version most widely publicized? "We determined the more important aspects, and those were the ones that we laid out and emphasized," said Lottery spokesman Bob Taylor. "We were not conducting this survey in response to the *Los Angeles Times Poll* or the *California Poll*" or to critics.

Most important, the survey lived up to requirements in the Lottery initiative, said Taylor, who has been named the Lottery's interim director of communications. The initiative calls upon the director to "engage an independent firm ... to conduct a special study, which shall ascertain the demographic characteristics of the players of each Lottery game, including, but not limited to, their income, age, sex, education, and frequency of play."

Asked why guidelines for collection of data and preparation of results was overseen by the Lottery's image-conscious marketing department, Taylor said, "Who should we have had supervise it? EDP (electronic data processing), legal affairs, public relations? They (Maritz Market Research) had to report to someone."

The new survey disclosures show that a slightly higher percentage of Latinos, as compared with the general population, were among the 14 percent of players who bought nearly half (48.7 percent) of the scratch-off tickets during the four-week study period. In the computerized Lotto game, additional data shows that a somewhat disproportionate share of Asians were among the 15 percent of players who purchased more than half (53.2 percent) of the tickets.

**E**del, the Lottery's marketing manager, said that among heavy players of scratch-off games, 20 percent were Hispanic. Statewide, Hispanics make up just 15 percent of the adult population. Blacks constitute 8 percent of the heavy players, compared to 6 percent of the population, said Edel, and Asians 8 percent of heavy players, compared to 5 percent of the population.

Among heavy Lotto players, said Edel, 11 percent are Asian, compared with just 5 percent of the population statewide. Hispanics constitute 17 percent, compared to 15 percent of the population; and Blacks, 7 percent, compared to 6 percent of the population.

As far as income is concerned, nearly a third of the heavy scratch-off game players earn less than \$20,000 annually, according to the new information, while 22 percent of the heavy Lotto players make less than \$20,000 each year. Lottery officials say these figures nearly match the state population where 29 percent earn less than \$20,000 annually.

Critics, however, embrace the results as further evidence that the Lottery lures poor people, ethnic minorities and those with compulsive natures into spending money they cannot afford for the chance at a jackpot dream they have little chance to win.

Mark Michalko, the Lottery director who has since departed to form an independent private consulting firm on lotteries, said, "It is not necessarily bad" that there are heavy players. "It's something that occurs everywhere in this industry and in other segments of the marketplace for discretionary spending."

Michalko said what little disproportionate play there is by minorities is largely explained by culture. "There is a long history of lottery playing in Mexico," he said. "It has been around a lot longer than the California Lottery."

Michalko added that figures showing up to about a third

of heavy players earn less than \$20,000 annually just point up the fact two-thirds make more than \$20,000 each year. "There's always going to be a small percentage of the population that buys a large segment of anything. I don't see it as an issue," he said.

Lottery critics were not surprised by the new data. The Reverend Harvey Chinn, former director of the Coalition Against Legalizing Lotteries, said the figures reflected his belief that "the Lottery becomes addictive."

"Some people really can't control themselves. They become compulsive purchasers of Lottery tickets, just like some are compulsive purchasers of pornography or alcohol," Chinn said.

"One of our big concerns is not because they are minorities, but because many are poor," Chinn said. "They are spending money that should be spent on other things."

Critics cite cases such as Bill Woehl of Fresno, a self-described compulsive gambler, who purchased 2500 Lottery tickets at \$1 each in a seven-week period and won just \$110; Ben Shallow, an Iraqi immigrant in Modesto, who spent \$50 monthly on Lotto, although he finally won a jackpot; and Jesse Walker, a Sacramento pensioner who spent a Social Security check and some savings on 2225 tickets, but wound up with a net loss of \$1542.

Mitchell Phillips, a statistician and author of "Honest Business," who reviewed the Lottery statistics, charged that the Lottery's assertions are "pure baloney... The Lottery is trying to make the statistics whiter than they are."

But Michalko said, "There's no evidence that an inordinate number of poor people or an inordinate number of any one or two ethnic groups is playing the Lottery." And it does not necessarily follow that minorities who are playing heavily are unable to afford it, he added.

Edel said that among heavy players of scratch-off games, 30 percent earn less than \$20,000 annually, compared to 29 percent of the population; 29 percent make \$20,000 to \$35,000, compared to 24 percent of the population; and 27 percent earn more than \$35,000, compared to 26 percent of the population.

Among heavy Lotto players, he said, 22 percent make less than \$20,000 annually, compared with 29 percent of the population; 37 percent earn \$20,000 to \$35,000, compared to 24 percent of the population; and 25 percent make more than \$35,000, compared with 26 percent of the population. Edel said the figures generally reflect the demographic profile of the state, except that middle-income people play Lotto more heavily than other income groups.

(In a footnote, Edel urged anyone looking at the figures to remember that, as usual when dealing with a statistically small sampling, figures carry a plus or minus accuracy range of up to several percentage points.)

Chinn said the assessment that the profile of heavy players mirrors that of California society was not comforting to him, since the poor players who spend heavily on the games probably cannot afford the expense.

The episode of the Lottery's demographic survey isn't the only instance where observers say the image-conscious agency has apparently tried to manage the news, and were found out. There were early ticket accounting errors disclosed by the state controller's office. And there was an unusual forecasting change in March 1987 that made Lotto sales look stronger — a move that Lottery officials said was an accident they would not repeat.

But the episode with the survey was by far the most important to people who want to fully understand the state Lottery and its impact on the people of California. 🏛️

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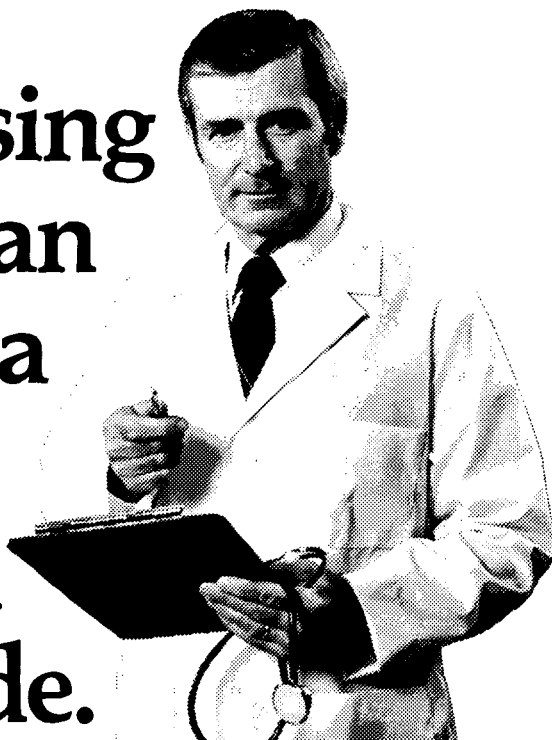
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**T**he California Commission on the Status of Women has its trains running on time. The problem is, they may not be going anywhere worthwhile.

In sharp contrast to the partisan battles that, for a time, brought the commission's activities to a near standstill, the commission today runs smoothly and with little controversy.

But just how effective is it? Some commissioners believe the commission runs smoothly because it steers away from controversial issues and instead deals with those less likely to spark intense debate among commissioners and bring their differing political philosophies into play.

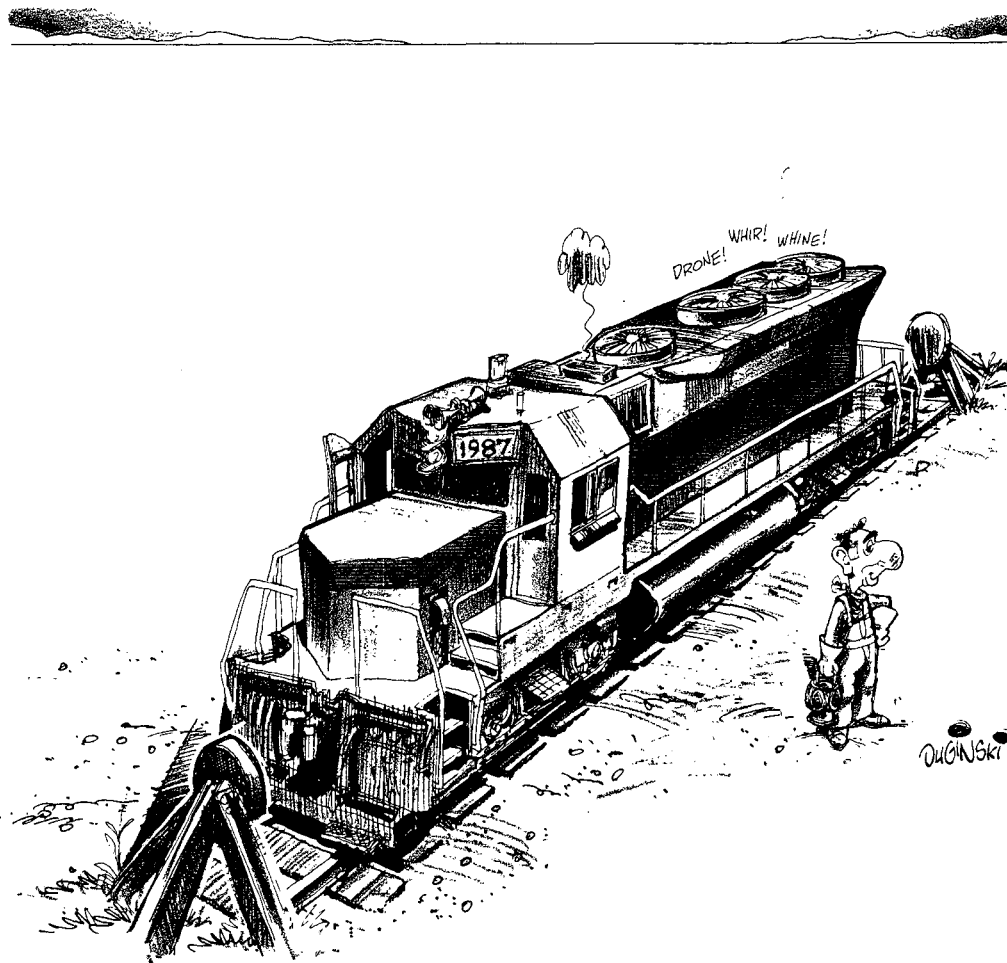
During the past few years the clash between the Democratic commissioners — holdovers from the administration of former Governor Jerry Brown — and the newer Republican commissioners appointed by Governor George Deukmejian brought the commission to a grinding halt. At one point, Commissioner Maxine Waters, a Democratic assemblywoman from Los Angeles, threatened to cut the commission's funding because she didn't like the drift of the new Republican members.

The commission was issued a mandate: Unless it reorganized, stopped its infighting and began operating more efficiently, its budget would be slashed and it would cease to exist. Commission members took the warning seriously and today, under new executive director Pat Towner, seem set on a course of smooth sailing. In the words of Commissioner Marjorie Shaevitz, a Deukmejian appointee who has been on the commission since 1983, "The fighting is over with and now we're getting down to business."

The commission consists of nine public members (seven appointed by the governor and one each appointed by the speaker of the Assembly and the Senate Rules Committee), six legislators, the Superintendent of Public Instruction and the chief of the Division of Labor Standards and Enforcement. The seven Deukmejian appointees, all Republicans, brought a Republican majority to the commission and altered the commission's activities by giving it a Republican orientation. According to Shaevitz, "The group of women may be much more conservative, but the commission is much more effective."

Whereas the commission used to pursue a more feminist agenda, today

*Lisa Steinfeldt, a California Journal summer intern, is a student at the University of California, Berkeley.*



## COMMISSION ON THE STATUS OF WOMEN

# A smooth ride to nowhere

By LISA STEINFELDT

its priorities involve less-controversial issues and policies which are much easier to implement.

For example, abortion has been relegated to subcommittee status rather than treated as a priority issue as in the past. This, some say, is highly indicative of the commission's Republican, often conservative, slant. Senator Diane Watson, a Democratic commissioner, says that this clearly shows the commission's changed attitude: "Years ago, there would have been no question" that the commission would actively support the pro-choice side of the reproductive-rights issue."

Watson concedes the commission is now able to hold peaceful meetings that don't disintegrate into political power battles, but she emphasized that

the commission is not accomplishing much. "There is a relaxing of the fervor" the commission once had, and it is apparent that the Republican philosophy is the one that dominates, she said.

Because Deukmejian appointees dominate the commission, it refrains from "doing anything that would embarrass the governor," said Watson, and this means that the commission's activities have been restricted to issues that do not conflict with his views.

Assemblywoman Waters said she now considers the commission a "non-entity. I don't think that anyone takes them seriously." She adds that Deukmejian's appointees are not "progressive women."

The commission seems caught up in the business side of things, focusing

on reorganization and efficiency of day-to-day operations at the expense of any real advocacy on important issues. There is now an elaborate process for deciding which bills to support, whereas before, says Watson, the commission supported all bills on women's issues. In addition, she states, while the commission now might support an existing bill, is not initiating any bills on its own. "Initiative is the key word," Watson stressed.

Former Commissioner Phyllis Cheng,

a moderate Republican whose term ended June 30th, was the Republican with views closest to the Democratic commissioners. In her opinion, the commission's focus is on organization. As a result of these organizational efforts, the commissioners have had less time to pursue policy goals. Cheng maintains that the philosophy of commissioners has not changed but the substance of their activities has, and she acknowledged that the commission hasn't really done any ground-

breaking. "Because the commission's limited time is spent on structure," she said, "the commission looks less activist than in the past."

To some, this change means the commission is less effective than it once was. In early 1987 the California Federation of Business and Professional Women, which had carried the Commission on the Status of Women on its platform, seemed as if it might withhold its support. In the words of Barbara McCallum, a lobbyist for the group: "We did not want to support a political football." However, McCallum now says that political partisanship does not seem to be in the way of the commission's current goals. "They have changed their priorities and now deal with less-controversial issues for their priority issues in order to be more productive."

Several commissioners echoed this sentiment. Republican Commissioner Donna Alyson Little said while members may have put aside open partisan battles, there are still differences in philosophical approach between Democratic and Republican commissioners. However, as Commissioner Gloria Godell puts it, "The commission's feminist outlook has been compromised so that the commission can function." Godell, the one Democratic member who regularly comes to meetings, said she feels "kind of alone."

The commissioners "are a wonderful set of women, but there is a basic difference in outlook which I guess goes along political lines," said Godell. She agrees that Republican members want to make sure the commission does not act in a way that will embarrass Governor Deukmejian. "We are able to work together on non-controversial issues, but the commission veers away from controversial issues, such as pay equity-comparable worth and minimum wage."

"The commission is definitely less effective than it used to be," she added, "and has lost a lot of its leadership position."

Phyllis Cheng likened the commission to a computer — the Republicans provide the hardware and the Democrats provide the new software. Under the Republican's watchful eye the commission runs smoothly, while the Democrats ensure that it acts as an effective advocate for women's issues. The problem, according to Cheng, is that the Democrats don't show up for commission meetings.

"The Democrats are either going to kill or abandon the commission," says Cheng. "They want to run it their way,

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and otherwise they just don't show up."

Godell, appointed by the Senate Rules Committee in 1981, is the only Democratic member who attends meetings. Catherine Campbell, the other Democratic public member, does not show up, while Assemblywoman Waters has not come to a meeting for 18 months.

Why do Democratic commissioners avoid meetings? The consensus is they are just tired of all of the fighting. According to Senator Watson, being a commissioner takes up too much time, and she doesn't even "know where they're going."

"I don't know if I want my name identified with a group that's not doing anything," she adds.

Watson says Republican Verna Dauterive, who chairs the commission, is very good at handling meetings and talking to both sides, but a common agenda has yet to be established. Watson feels that the commission's executive director should be able to pull both sides together, but Watson says Pat Towner is dealing only with "the day-to-day and the perfunctory" issues. As an example, she cites the commission's current priority issue — child care.

"Pat should be in my office pushing for legislation regarding child care,

but she isn't," Watson says. "The commission is really only giving the issue lip service." She sees no real leadership or advocacy coming forth from the commission, and feels that it "is not aggressive on controversial issues, and instead seems to be taking a back seat."

The Democrats had a vision and saw potential, but have now pulled back, says Watson. In her eyes, the commission is just not doing very much, and she may quit rather than have her name identified with the group, and thus endorse its activities.

Gloria Godell, while emphasizing that the commission is very important to her, admitted that it seems as if "it's hardly worth it to go on with it." And Phyllis Cheng, a moderate Republican who often worked closely with Godell, did not seek reappointment when her term ended because it had been a tumultuous time, and she felt that staying would not be productive.

Because of the disillusionment of the commission's more liberal members, it has been left in the hands of the conservative Republicans. And according to one source, the sentiment to do away with the commission completely, and "redistribute its funds to the county (women's) commissions, which are the

ones getting things done," still lingers in the minds of the Democratic legislators.

Meanwhile, the commission continues to operate smoothly and in a businesslike manner. At the June 22nd meeting, the opening roll call showed that 10 commissioners, enough for a quorum, were present. But the combined departures of Republican Assemblywoman Cathie Wright, who was called back to the Assembly floor, and Phyllis Cheng, who was called out, resulted in a loss of quorum. The commission was forced to bypass any items requiring action, and, with the departure of Jan Hall, who left to give a speech, the meeting came to a temporary standstill. Cheng returned, and Hall, on her way out the door, yelled out her votes as the chairwoman hurriedly rushed through a list of items requiring a vote by a quorum of commissioners.

The episode seems to typify the commission's activities: sincere effort hindered by circumstances that compromise its effectiveness. While the Deukmejian commission is finally free of the political battles that once dominated its activities, it apparently has no intention of moving beyond day-to-day business to again be the activist voice it once was. 🏠

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# BALLOT FRONT

*A roundup of statewide initiative proposals. All statutes require 372,145 valid signatures; constitutional amendments require 595,485. In parentheses is the deadline for sponsors to submit signatures to county clerks, and the issue of California Journal that contains a full explanation of each measure. Regardless of the date shown, signatures must be submitted by November 19, 1987, for any measure to qualify for the June 1988 ballot.*

## New in circulation:

**LEGISLATIVE OFFICES AND CAMPAIGN FUNDS** — an initiative constitutional amendment, sponsored by Paul McCauley of Los Angeles and Don Floyd of San Diego, that would limit the terms of the speaker of the Assembly and president pro tempore of the state Senate to no more than two years and ban the transfer of campaign funds from one candidate to another. (December 14, 1987).

**LAW ENFORCEMENT FUNDING** — an initiative constitutional amendment, sponsored by Secretary of State March Fong Eu, that would allow voters to raise state alcoholic beverage taxes, with the additional money to be used for local law-enforcement purposes only. Increased revenues would be exempt from the state's Gann spending limit. State fiscal officials estimate that the measure will provide law enforcement \$143 million the first year; \$156 million thereafter. This is the so-called "Dimes against Crime" initiative. (December 18, 1987)

**PROPOSITIONS. YEAR ROUND VOTING. PROXY VOTING** — an initiative constitutional amendment, sponsored by Matt Dillon of Sacramento, that would establish a continuous, 24-hour-a-day, 365-day-a-year computer voting system for propositions submitted to the people. Each voter would be assigned a personal voter-access code and could vote by touch-tone telephone. Voters could also name proxies to vote on their behalf. (December 21, 1987)

**INCOME TAX** — an initiative statute, sponsored by Paul McCauley of Los Angeles, that would alter the state income tax so that the California tax would equal a percentage of the federal income tax on individuals. The governor would determine the initial percentage to generate revenues equal to current levels,

and the Legislature would determine future percentages. (December 21, 1987)

**TRANSPORTATION REVENUE** — an initiative constitutional amendment, sponsored by Republican Assemblywoman Doris Allen of Cypress, that provides that net revenues from state sales and use taxes on motor vehicle fuels be used only for public streets, highways and mass-transit guideways. The measure would also prevent the Legislature from lowering local sales-tax rates and would require a two-thirds vote of each house or a vote of the people to increase taxes on motor-vehicle fuels. (January 7, 1988)

## Continuing in circulation:

**STREETS AND HIGHWAY FUNDING** — an initiative constitutional amendment sponsored by Paul Gann of Carmichael and Republican Assemblywoman Doris Allen of Cypress. (September 17, 1987; June 1987 CJ)

**FAMILIES** — an initiative constitutional amendment sponsored by Stephen Konhoff of Sacramento. (September 21, 1987; June 1987 CJ)

**WILDLIFE, COASTAL, AND PARK LAND CONSERVATION BOND ACT** — an initiative statute, sponsored by Californians for Parks & Wildlife. (November 11, 1987; August 1987 CJ)

**AIDS** — an initiative statute, sponsored by Brian Lantz and Khushro Ghandi of Livermore. This proposal is sponsored by proponents of, and is similar to, Proposition 64, which was defeated during the November 1986 election. (November 19, 1987; August 1987 CJ)

**OCEAN NET FISHING** — an initiative constitutional amendment, sponsored by Kenneth Kukuda of Santa Ana. (November 27, 1987; August 1987 CJ)

## Failed to qualify:

**LAW INVALIDATION** — an initiative constitutional amendment sponsored by Eleanor Hemstreet of Sacramento and Helen Lowery of San Andreas, that, among other things, sought to abolish the California State Bar Association and would have prohibited its members from holding public office or practicing law in California courts.

Source: Secretary of State March Fong Eu

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# WASHINGTON PERSPECTIVE

By LARRY LIEBERT

## The House GOP

Representative Jerry Lewis was complaining recently that the dominant Democrats ignore the outnumbered Republicans in California's House delegation. Just then, an aide brought a phone message to Republican Lewis. A powerful Democratic congressman from Los Angeles was seeking his advice on an issue that is important for Southern California.

**"T**HAT WAS HENRY WAXMAN CALLING," Lewis said. "I'm sure it was about air quality."

Within California's 45-member congressional delegation, Democrats and Republicans sometimes forge informal alliances on legislation of direct concern to their home state constituents. As a group, however, the delegation is sharply split along partisan lines, and minority Republicans often gripe that they feel slighted.

As recently as 1981 there were 22 Democrats and 21 Republicans representing California in the House. In those days Democratic Representative Phillip Burton of San Francisco ruled the delegation with the brutal force of his personality.

Burton is gone, but the late congressman left as his political legacy the one-sided reapportionment that he designed. The remapping of congressional districts left the Democrats in lop sided control. Now California is represented in the House by 27 Democrats and 18 Republicans.

"With such an imbalance, we tend to get taken for granted," said Lewis of Redlands. "It makes it all the more difficult for California's numbers to come together in an aggressive way when California's issues are involved."

Representative William Thomas, a Bakersfield Republican, added that cooperation among California's representatives is doubly difficult to achieve because the state's weak political parties tend to produce "a bunch of feudal lords" who are unaccustomed to working together.

In interviews, Republican members repeatedly pointed to Texas as an example of a big state with a delegation that works far more effectively across party lines to win pork-barrel benefits. Such joint efforts are made only occasionally in the California delegation, they said, most notably this year in the campaign to win the \$4.4 billion Super Collider atom smasher for the state.

"Relations are very civil, considering how far apart we are politically," said San Jose Democrat Don Edwards, the dean of the House Democrats. "We're the most liberal delegation in the House and they're the most conservative delegation."

A Democratic congressional aide put it less diplomatically. "How can we work with Neanderthals like that?" the aide asked.

The Republicans maintain it is the Democrats who are out of touch, but they agree that there is a philosophical chasm.

"This is the most polarized delegation in the nation," said Representative Duncan Hunter of Coronado. "On every major vote, all the Republicans are for the president and all

the Democrats are against him — MX, Contra aid, all the big votes."

Republican members describe their delegation as staunchly conservative on economic issues but far less unified on social matters. For example, few other California Republicans have vocally endorsed the unsuccessful crusades of Republican Representative William Dannemeyer of Fullerton, who vigorously opposes gay rights in any form and just as vehemently supports massive mandatory testing for AIDS. Proposals for offshore drilling also have placed some Republicans from coastal districts on the side of environmentalists and against the Reagan administration.

The California Republicans are slowly rebuilding their clout in Congress, having lost several members with seniority after Phil Burton's reapportionment. Representative Robert Lagomarsino of Ventura is secretary of the Republican Conference — one of eight leadership positions elected by the GOP House members. This year, Lewis was elected to another of those posts — as chairman of the Republican Policy Committee, which develops and promotes the party's positions on major issues.

Lewis' opponent was Hunter, a fellow California Republican. Both are staunch conservatives, although some members apparently favored Lewis' less confrontational style. Hunter belongs to the young "conservative opportunity society" faction in the House. With Representative Jack Kemp of New York as its best-known member, the group seeks to draw sharp differences between the political parties wherever possible.

Asked about his political future, Lewis acknowledged that his new post puts him "on a leadership track," although he denies he is nursing ambitions to move up higher in the Republican hierarchy. Hunter is less coy, saying his contest with Lewis was "a good practice run" and "I intend to run for more stuff."

The dean of the California Republican contingent — its most senior member and thus its leader — is Representative Carlos Moorhead of Glendale. Privately, a few members gripe that he is not forceful enough. "He is an accommodating guy who doesn't exert leadership," one said.

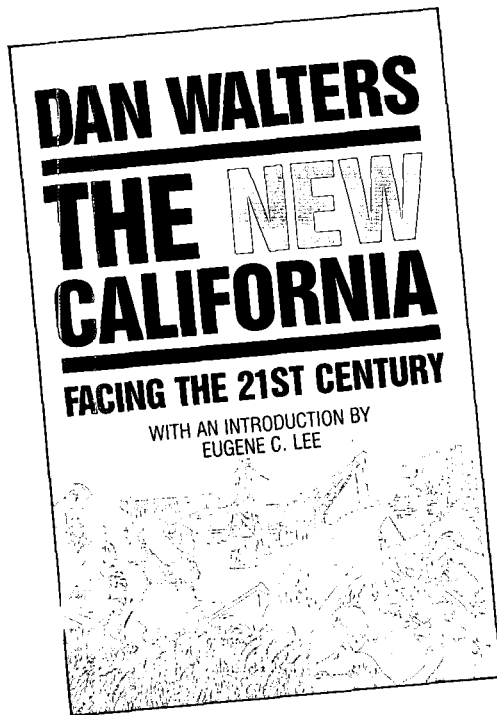
But Moorhead is an amiable, personally popular man with the same gentlemanly style exerted by Edwards, his Democratic counterpart.

"I run the delegation in a manner in which everybody has a voice," he said. "I think a leader can drive a delegation apart by not being accommodating."

**M**OOORHEAD SAID HE AND EDWARDS get along well and talk frequently about concerns that cross party lines. He scoffs at the notion that California Republicans have a frustrating existence.

"I think we are extremely effective right the way things are now," he said. "We've had the president with us, and much of the time we've had the Senate. Republicans have come out on top on issue after issue."

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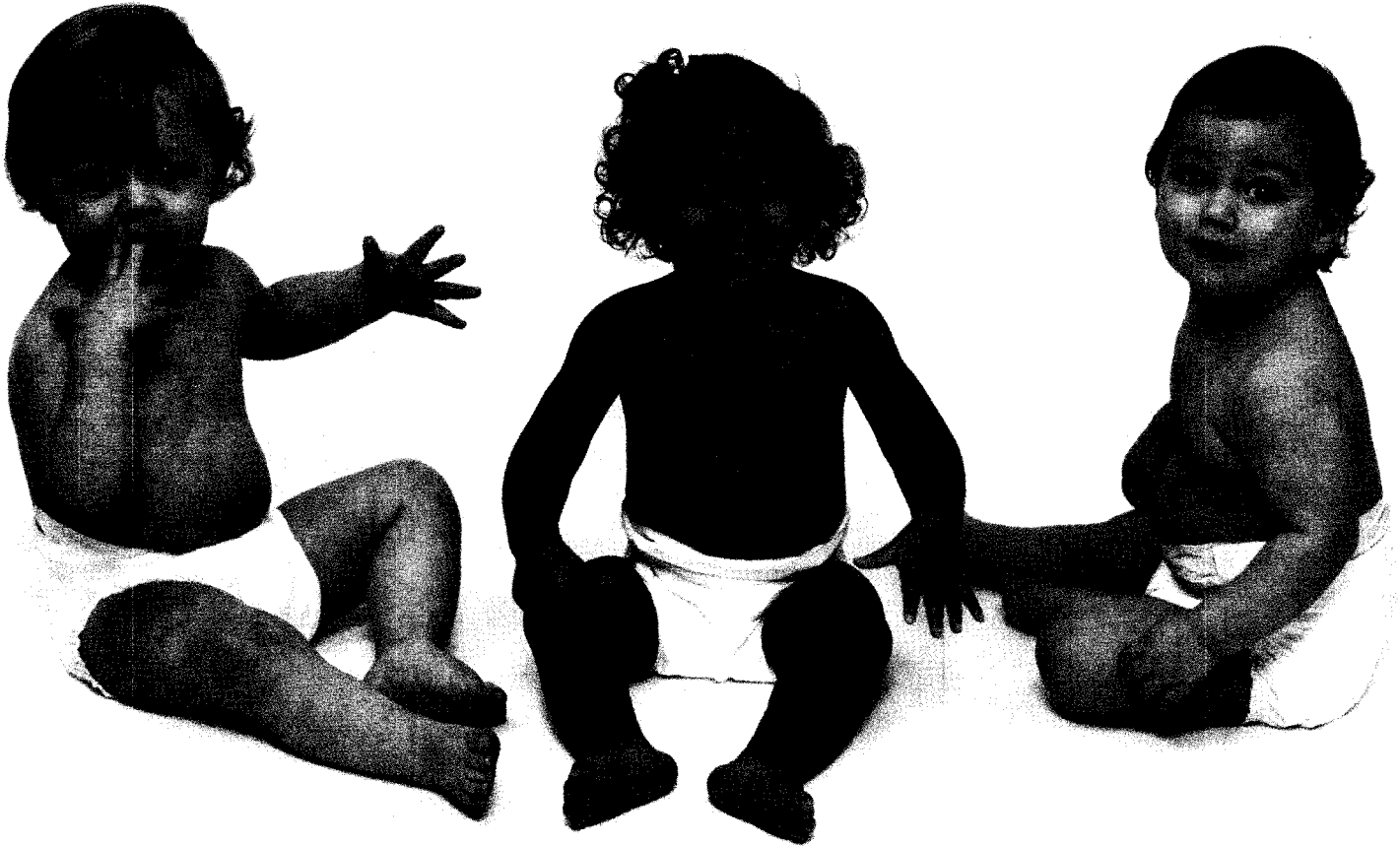
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